

NEW YORK DAILY NEWS

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**VIP**

By MAXINE CHESHIRE

The CIA may now have reason to worry about electronic eavesdroppers but its phone bill is lower. When James Schlesinger Jr. took over as director, the first thing he did was rent long-distance lines on a monthly basis from the telephone company because calls "are 20% cheaper" that way. Schlesinger found some of his spies so fearful of being overheard that they preferred to go out to a phone booth with a handful of change.



James Schlesinger Jr.  
*Cuts the phone bill*

HS/HC-950

# C.I.A. Trained Tibetans in Colorado, New Book

## Says

Special to The New York Times

WASHINGTON, April 18—

The Central Intelligence Agency set up a secret base in the Colorado Rockies to train Tibetan guerrillas in mountain warfare in the late nineteen-fifties, when there was an uprising against Chinese rule in Tibet, a new book discloses.

In the book, "The Politics of Lying," David Wise, the author, said that the agency began training Tibetan refugees recruited in India in 1958 in a deserted World War II Army base near Leadville, Colo. The operation continued into the early months of the Kennedy Administration, he said.

A spokesman for the agency said that there would be no immediate comment on the report.

Mr. Wise, the former Washington bureau chief of The New York Herald Tribune and co-author of "The Invisible Government," a 1964 book about the Central Intelligence Agency, wrote that the Tibetan training program apparently ended abruptly in December, 1961, six months after the Bay of Pigs fiasco and a few days after its cover was almost blown in an airport near Colorado Springs.

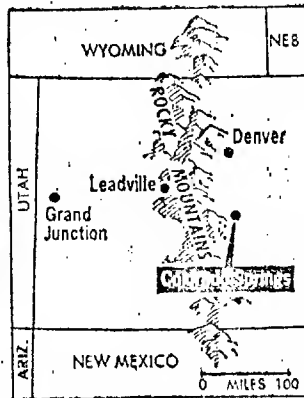
### Delayed by Bus Accident

"Ironically, it was the snow and the mountains — the very factors that led the C.I.A. to select Colorado for the training base — that almost caused the operation to surface," Mr. Wise wrote. A group of Tibetan trainees were loaded aboard a bus at the Army camp for a 130-mile trip to a nearby airfield in Colorado Springs, where a large Air Force jet was waiting to quietly fly them out of the country before dawn.

"But coming down the mountain," Mr. Wise wrote, "the bus skidded off the road in the snow. As a result of the delay caused by the accident, it was daylight when the Tibetans arrived at the field."

Once there, the book went on, overzealous military security officials herded the airport's employees around at gunpoint, but not until at least one of them saw the Tibetans board the jet.

Complaints to the local sheriff were made about the manhandling of the civilians, and a few newspaper articles describing the bizarre encounter were published in Colorado Springs and Denver. But, Mr. Wise wrote, the full implications of the operation did not become public.



The New York Times/April 19, 1973

Camp reportedly was in Rockies 130 miles from city of Colorado Springs.

When a reporter for The New York Times subsequently began a routine inquiry, based on a brief news-agency dispatch about the incident, the book said, the office of Robert S. McNamara, who was then Secretary of Defense, telephoned the Washington Bureau of The Times and asked that the story not be used because of "national security" reasons.

The Times acquiesced, Mr. Wise wrote, in line with the general newspaper practice in those years of not challenging the Government's definition of "national security."

The two top news officials in Washington for The Times in 1961, the bureau chief, James Reston, and the news editor, Wallace Carroll, said yesterday that they did not recall the incident. Mr. Reston is now a vice president and columnist for The Times, and Mr. Carroll is editor and publisher of the Journal and Sentinel in Winston-Salem, N. C.

Jack Raymond, who was defense correspondent for The Times in 1961, said yesterday that "I do remember at the time knowing about the incident and I don't recall what prevented me from writing about it."

Mr. Raymond, who is now associated with the Aspen Institute for Humanistic Studies in New York, added in a telephone interview, "I'm inclined to think that I didn't have enough information about it to write a story. I have no immediate recollection of being thrown off the story by anybody."

### 'Nerve-Racking Moments'

In his book, Mr. Wise wrote that the issue caused some of the Central Intelligence

Agency's new \$46-million headquarters in Langley, Va., because the incident occurred a week after President Kennedy announced the appointment of John A. McCone as the new Director of Central Intelligence. Mr. McCone replaced Allen W. Dulles, whose resignation was accepted after the Bay of Pigs incident, Mr. Wise wrote.

The dispute between Tibet and China began in the 13th century, Mr. Wise wrote, with China periodically claiming Tibet as part of her territory. Mainland China was taken over by Communist forces led by Mao Tse-tung in 1949, and in 1950 Chinese troops marched into Tibet.

In May, 1951, the Chinese signed an agreement with the Dalai Lama government for the occupation of Tibet, pledging not to alter the existing political system in Tibet or the powers of the Dalai Lama. However, the agreement also provided for Chinese control through the appointment of a military and administrative committee.

During the mid-nineteen-fifties, however, Mr. Wise wrote, Tibetan guerrillas began

insurgent warfare against the Chinese and officials of the Central Intelligence Agency "concluded that the situation offered an ideal opportunity" for covert United States aid.

In March, 1959, the Dalai Lama was forced to flee over high mountain passes to India after a Chinese mortar attack on his palace. Mr. Wise asserted. Intelligence officials later concluded, Mr. Wise wrote, that some of the guerrillas who had been trained in the Colorado Rockies had been responsible for guiding the Dalai Lama to safety.

Open warfare broke out in Tibet after the escape, Mr. Wise reported, and thousands of Tibetans were killed and the Dalai Lama's government was dissolved by the Chinese. India's decision to grant sanctuary to the Dalai Lama also increased the pressure between

that nation and China, the book said.

The secret training operation was hardly a success, Mr. Wise wrote, because the guerrillas "infiltrated into Tibet by the C.I.A. were attempting to harass the Chinese, not to free the country; in the long run it is doubtful that they made very much difference. Since 1961 Communist China has tightened its grip on Tibet." Tibet, like other areas largely populated by ethnic minorities, now has the status of an autonomous region within China.

"Would the nation's security have been endangered if the story of the Tibetan operation had been disclosed in 1961?" the book asked. "In the wake of the Bay of Pigs, Kennedy ordered two separate investigations of the C.I.A., and he struggled to take tighter control over the agency's operations by changing its top leadership."

"Publication of the story might have focused public attention on a number of important issues," Mr. Wise suggested, "including the basic question of whether tax money would be used to finance clandestine intelligence operations." A second issue, he added, was whether the agency had a legal basis for operating a secret training base in the United States.

Finally, Mr. Wise wrote, that "disclosure might also have led to a public examination of such important questions as whether President Eisenhower approved the Tibetan operation, whether President Kennedy was aware of it or approved it, and whether the four 'watchdog' committees of the Congress had had any knowledge of what was going on in Colorado."

E - 592,616  
S - 827,086

APR 1 1973

To keep up with weapons technology

# Electronic instruments 'spy' for U.S.

By EDWIN G. PIPP  
News Aerospace Writer

Ultra-sophisticated gadgets housed in a well-guarded blockhouse-like structure at Wright-Patterson Air Base, near Dayton, Ohio, are rapidly replacing the conventional cloak-and-dagger spy.

Among the superspy hardware that the United States is now operating is a high-speed computer capable of translating foreign scientific and technical documents — including Russian and Chinese — into English at a rate of 300,000 words an hour.

Another exotic unit can convert an ordinary snapshot of a foreign airplane into a three-dimensional drawing with specifications accurate to less than an inch.

Super sleuth devices are being used daily in the worldwide effort to gather information on what other countries are doing so that United States leaders have data they need to make oftentimes crucial decisions.

In this electronic age the spy who steals blueprints or secret plans still has a place in the intelligence gathering activities, but more often than not his information will be obtained and confirmed by scientific instruments.

This worldwide intelligence gathering activity now is a \$6 billion program for the United States, with Russia probably spending an equal amount.

The livelihood of thousands of Americans, and the success or failure of defense plans for years in the future depend on up-to-the-minute information of what other countries are doing.

Development and production of major weapon systems are stopped or started on information about what an enemy is planning.

World technology is moving so fast that a major technological breakthrough in some weapons can upset the world's balance of power.

Perfection of a laser that could destroy ballistic missiles would nullify this type of weapon. A quick means of locating and destroying submerged submarines could cripple a nation's sea power.

Military planners live with the constant fear that an enemy will develop some new weapon that they do not have. Hence they demand more and more data on trends that of the other side in its development effort, plus minute details of equipment already in production.

It wasn't many years ago that a photograph or verbal description of enemy equipment was the major means of gathering intelligence.

Today these are only minor items in the fast flowing stream of intelligence coming into the United States.

Although the intelligence community's activities are top se-

cret, new words are appearing in technical publications to show the mighty effort under way.

There are now 10 of these words, each ending in int, for intelligence, to show the trend.

**HUMINT** — This is the human element — the individuals or groups who disclose classified information intentionally or unintentionally. This can be the oldtime spy, of a talkative scientist at an international gathering.

**ELINT** — Electronic intelligence can be collected by aircraft, ships and ground stations that record transmissions from other countries for analysis to determine the type of equipment producing the signals.

**RADINT** — Radar intelligence is similar to Elint except that it is radar transmissions that are monitored.

During the heavy bombing raids on North Vietnam last year day to day changes were made in equipment, bomber routes and tactics based on Radint and Elint.

**WORDINT** — This is information from open sources such as technical publications and international scientific meeting. The machine that translates Russian into English uses this material.

What bothers technicians looking for good data from this source is when articles by an author-expert concerning interesting developments in a foreign country stop appearing in public manuscripts. This usually means his subject has taken on military significance and now is secret.

**MANY AMERICAN MILITARY EXPERTS** are irked because one of the Soviet's newest fighter planes is made of large quantities of titanium, a metal that is extremely hard to form, but is much better than aluminum for high-speed aircraft.

The American government spent millions in developing processes using titanium in new aircraft and then described them in detail in books that can be purchased by anyone at the Government Printing Office. This was to help American industry in using titanium.

There is considerable evidence that the Russians used this American know-how in forming titanium for their new fighters.

**IRINT** — Infrared data comes from sensors that use bands of the light spectrum not visible to the human eye. These sensors can take photos day or night, bad weather or good with data showing up that would not be seen in normal photography.

Heat shows up in IR films. In Vietnam IR sensors located enemy tunnels by showing heat from cooking fires in the tunnels that was exhausted into the outside air through vents.

**TELINT** — Telemetry is used extensively in relaying data on missile performance to ground stations during test flights. Big rockets can have telemetry from more than 100 different spots going back to the ground in a steady stream of data about the performance.

It is common for Russian ships to anchor in the Atlantic near Cape Kennedy during missile launchings, presumably for intelligence collection, including Telint.

**PHOTINT** — Photographs can come from a wide variety of sources, including spy satellites.

**ACOUSTINT** — Acoustics, or noise from machines, can give away details of how they are operating because of new advances in recording equipment and other instruments that can analyze these recordings. Thus details of a new jet engine or tank motor can be determined from the noise it makes.

**OPTINT** — Optical intelligence is one of the newest means of collecting data. It comes from the use of laser beams that help aim missiles and bombs.

**COMINT** — This is information gained from communications such as telephone and radio.

**FME** — Foreign Material Equipment is the prize every nation is after. This is the enemy-built tank, airplane, radar set or other weapons system that is captured or for some other reason is available for inspection.

The intelligence community also is eager to look at commercial equipment offered for sale by foreign countries because often this shows the state of the art that country has reached in its production capabilities.

The military services each have their own intelligence gathering agencies with the areas they work in well defined. Also there is the Central Intelligence Agency (CIA). There is a broad exchange of data with information going to the National Security Council which advises the President.

The Foreign Technology Division (FTD) of the Air Force Systems Command at Wright Patterson is the Air Force agency.

Its mission is to obtain data on the actual and potential technological threats of foreign nations.

20 APRIL 1973

# Counterspy Exposes 'Techno-Fascism'

by Dorothy McGhee

They (the US government: CIA, police, welfare officials, defense department, et al; and private agencies: banks, insurance companies etc.) have been spying and collecting data on us for years without our knowledge. But now, we're spying on them and beginning to learn about the scope and methodology of government intelligence operations. The vehicle is a new group called Committee for Action—Research on the Intelligence Community (CARIC). And they have just put out their first bulletin, appropriately called *Counterspy* which will provide monthly a source of analysis and information on the practices, organization and objectives of US intelligence.

The first 22 page issue of *Counterspy* contains some very lively information:

- \* an anonymous, but obviously well informed, letter from a former agent in the military intelligence who tells of CIA orders "to terminate with extreme prejudice", (that is bureaucratese for murder) a US defector who dropped out of military intelligence with the names of every principal agent the army had in Western Europe;
- \* a fascinating, detailed account of FBI involvement in the militant arm of the San Diego Minutemen, the Secret Army Organization, which planned and executed acts of sabotage and terrorism against liberal and radical groups in that area. An FBI agent, Howard Godfrey, was actually head of the local SAO commando team which organized bombings, espionage and shootings to harass the left wing.

There is evidence that the FBI and a Colonel at Camp Pendleton were involved with the unreported transfer of munitions from the camp to the arsenal of the SAO in 1972.

- \* an eight page reprint of the FBI's own summary of their domestic surveillance, the first public commentary by the FBI on their efforts in this field.

*Counterspy* is being published because, according to the CARIC organizers, "the American public has the right to know what is being done in their name, and they have the right to stop it. Big Brother and the age of technofascism is here."

CARIC is an unusual coalition of four former peace-activists veterans, three of whom are actually former US Intelligence

Agents. They are Tim Butz, a former organizer for Vietnam Veterans Against the War, who was in the army in Vietnam from 1966–1968; Winslow Peck, a veteran and former Military Intelligence agent for the US Air Force, who was in Vietnam from 1968 to 1969; Bart Osburn an agent for the US Army Intelligence and Security in Vietnam during 1967 and 1968 and a CIA agent until 1970; and Gary Thomas, also a former US Army Intelligence Agent. Osburn, who used to work with the CIA's Phoenix program, speaks of his former work as "an indiscriminate murder program." Peck talks about the inhibiting effects of his previous life, "you can't tell the people closest to you what you're doing."

Now, however, their work together on actively exposing US Intelligence has been liberating. "Being able to talk about it openly among ourselves has really freed us from a lot of the fears we had," says Peck. All of the former agents are, of course, under legal constraints from disclosing the classified information to which they had access while operating in intelligence. But, as they put it, YOU don't have to reveal classified information to discuss and to expose the intelligence community. It simply gives a perspective and a basis of analysis."

The information in *Counterspy* is carefully researched from diverse but publicly available documents: newspapers, congressional hearings, budgets, army reports and their own anonymous sources. The group wants to create a central Intelligence Documentation Center, which would centralize information on US operations. They are soon coming out with a handbook on US intelligence which will describe the practical organization and objectives of hundreds of agencies. And, of course, *Counterspy* will come out monthly.

CARIC was responsible for leaking to the *Washington Post* last March the information about the Committee for the Re-election of the President hiring a George Washington University student to spy on local anti-war activities. CARIC came by this information from their own investigation of the Watergate break in, and

that there are at least 24 other people who were similarly hired by the Re-election Committee to conduct espionage activities. CARIC is still in the process of tracking those persons down.

*Counterspy* is available for 75 cents an issue, or \$6 a year for individual subscription, \$10 a year for institutions and \$75 for agencies of the government. You can become a sponsor for \$15, which includes a free subscription. Prisoners and active duty GI's may receive free copies. You should write to CARIC, Box 647, Ben Franklin Station, Washington DC 20044.

Copy of *Counterspy* will be available in HIC for those who are interested.

WILMINGTON, DELA.  
NEWS  
APR 9 1973  
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## CIA-type operations called embarrassing waste

Compiled from dispatches

WASHINGTON—Sen. William Proxmire, D-Wis., yesterday called for a drastic reduction in secret U.S. intelligence operations overseas, estimating their cost at \$6 billion a year and their value greatly exaggerated.

"Our foreign covert operations have brought little but embarrassment abroad and confusion at home," the senator said. "They should be cut to the bone. In the day of sophisticated electronic devices, no longer is there a sound justification for covert operations to defend the U.S. from surprise attack."

Proxmire, a critic of Defense Department spending policies, also alleged that the U.S. intelligence operation had switched gradually from collecting information to becoming involved in the affairs of foreign countries.

"IN too many cases," he said, "we are substituting clandestine operations for sound foreign policy. Furthermore, due to the 'spill-over' effect, it could lead to covert domestic operations."

He said, for example, that the responsibilities of the Central Intelligence Agency (CIA) have been expanded by "secret interpretive directives" which Congress never sees.

Proxmire said the total classified intelligence budget has been estimated at anywhere

from \$4 billion to \$8 billion, but that he thought \$6 billion "is most representative."

ALSO during the weekend, a study by the General Accounting Office was made public, showing that the Defense Department has given away large amounts of surplus military equipment to make up for cuts by Congress in foreign military aid appropriations.

The study was made for the Senate Foreign Relations Committee at the request of Chairman J. W. Fulbright, D-Ark.

Fulbright said the investigation shows a need for "drastic overhaul of the laws controlling U.S. military aid policy."

The GAO found that military aid to 65 foreign countries totaled \$38.3 billion for fiscal years 1965 through 1972 and that grants of arms and equipment classified as excess and loans of ships came to \$2.8 billion.

THE auditors calculated that \$55 million might have been saved in 1971 by using such excess stocks such as trucks instead of buying new ones to meet military aid orders.

They said the U.S. embassy and military mission in Taiwan were unable to account for 105 of the 146 ships loaned to the Republic of China since 1954.



# SPECIAL TRANSLATION

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Where There is Success, There is Failure

The Central Intelligence Agency is that organization that mobilizes the greatest amount of human and mechanical intelligence in order to serve its cause of world espionage. Yet some of its officials acknowledge that not everything goes smoothly; winds do not always blow as the boats of the agency desire. One expert in Central Intelligence Agency affairs, Andrew Tully, says that one of the most serious reversals handed not only American but Western espionage came with the Iraqi revolution in July 1958. Tully says of the Iraqi revolution, "Our men were asleep at the time; nothing can make up for that loss. The Central [Intelligence] Agency suffered after this event its greatest humiliation when Allen Dulles had to appear before the American Senate to answer questions about why our men had been caught sleeping with no advance knowledge of Qasim's coup." The Central [Intelligence] Agency, nevertheless, brags a great deal about other of its victories during times of well-known world crises. Allen Dulles himself justifies his failure in the Iraqi revolution, saying that the agency had proved itself several weeks before the coup took place, when, in Jordan, an attempt at a military coup was thwarted. Among the world crises in which the Central Intelligence Agency has played an important role are the Iranian crisis in 1953, when General Moṣaddeq<sup>s</sup> attempted to do away with the throne of the Shah by using a division of the Iranian army that owed its allegiance to Moṣaddeq<sup>s</sup>. During that crisis the Central Intelligence

Agency was the first to inform the Shah of the suspicious movements of Mossadeg with certain quarters hostile to the throne (among them his numerous meetings with the Tudeh Party) which preceded his open break with the Shah.

There are also other politically valuable roles which have changed the course of events in many instances, among them the difficult task that was undertaken by a Soviet spy working for the agency. (Allen Dulles gave him the name Andrei.) During the rule of Khrushchev, in 1956, this Soviet spy was able to deliver to the agency a copy of the secret speech which Khrushchev delivered to the Soviet Communist Party, and which was the beginning of the new policy of the Communist Party attacking worship of the individual and opening fire on the Stalinist era for the first time. At that time Khrushchev wanted to keep the speech secret because of his lack of confidence as to how it would be taken by world public opinion, especially his attack of Stalin. He was also very concerned with the reaction of the Communist parties of the world. This speech became history the day that the Central [Intelligence] Agency gave out a text of it to the press, which spread it to the world. The surprise was out.

The other side to success is always failure. The Central Intelligence Agency, in return for each victory, claims that it is inevitable that it meet with many defeats. There is no doubt that one of the greatest defeats met with by the Central Intelligence Agency was the day of the tri-partite aggression against Egypt in 1956. During this crisis, American



intelligence was put to the test. This time, the intelligence men failed to send advance news of the decision of the three hostile countries to attack Egypt. Eisenhower said of the Suez crisis that the only source from which he heard of the aggression was the press. What is said about the American failure during the Suez crisis can also be said about the Soviet invasion of Czechoslovakia, about which the government of the United States knew nothing, and most likely, the men of the Central [Intelligence] Agency themselves, except through the newspapers and radio broadcasts.

One of the more controversial incidents in the history of the Central Intelligence Agency was the shooting down of a U-2 plane in 1960 flown by a Central [Intelligence] Agency man, Francis Gary Powers.

Another important incident arousing lengthy controversy at the time and even now is reverberating in the halls of the Central [Intelligence] Agency, and that is the incident that took place following the involvement of American intelligence with the former German general, James Gehlen, who is described as being the most competent spy in history. He played more than one side <sup>d</sup> during the post-war era.

The Central [Intelligence] Agency has carried out highly original missions. For example, during a world tour by a Soviet mission a lifelike model of the Sputnik spaceship was put on display. While on display in a Western capital, a team belonging to the Central [Intelligence] Agency was able to enter the exhibition room by stealth, remove the spaceship, disassemble it, photograph all its parts, then hand over a complete technical descriptio of the model. They returned the Sputnik to the hall, and the event went on without anyone knowing.

## How Spies are Made in the American Intelligence Agency

by Samir Huri

[This article is composed of selections from the book by Patrick J. McGarvey, CIA the Myth and the Madness. The first part of the article is taken from Chapter VIII, "I Owe My Soul to the Company Store," and tells how McGarvey was recruited into the agency and trained. After recounting these experiences, the article discusses the three main targets of the American intelligence organization, which it takes from Chapter II, "The Octopus". It covers the SAMOS satellites on which the CIA depends, as well as the Thor-Agena rockets, and then moves on to discuss COMINT and ELINT operations, all from the same chapter.]

## The New Director is an Expert in Nuclear Energy

It must be pointed out, too, that the Central Intelligence Agency occasionally relies on outsiders for help. These persons are given the name of "volunteers" since they are not paid for their labors. They are recruited by influential men in the agency who select these volunteers from among directors of large American companies, scientists, writers, or others who, by virtue of their jobs, travel in different countries. They are explained the principle of cooperating with the agency. If they accept, the agency provides them with a list explaining the information it could use. Ordinarily, the setting for these volunteers' activities is in Third World countries and Eastern Europe.

Among the most recent developments which has occurred among the higher branches of the Central Intelligence Agency was James Schlesinger's taking over last month the task of heading the agency from his predecessor, Richard Helms. It did not take Schlesinger long before he began to make radical changes in the Central [Intelligence] Agency. He took it upon himself to dismiss three of the agency's top officials. Immediately after that, a great fear took hold of the souls of all division heads and top men working for the agency. Mumbblings began to be heard in the political quarters of Washington concerning decisive other changes to which Schlesinger might resort. An important man in the agency commented on these changes saying that Schlesinger's dismissal of these three employees is an action with far-reaching consequences and extremely serious. He said, "Heads of other important men have rolled in the past. However, this time, things are different. Schlesinger has carried out the matter very rapidly and has chosen three men considered the most important pillars of the agency, the furthest removed from suspicion."

While some American circles are surprised at the speed with which Schlesinger moved, the circles of President Nixon appear to be completely satisfied with the rapidity of change. The basic reason behind this satisfaction may go back to the fact that Nixon had commissioned Helms more than a year ago to determine the agency's course of action and regulate its expenses, which amount to six billion dollars annually. At that time, Richard Helms was not able to meet the demands of the American president completely. What made things even worse is that

Helms belongs to the Democratic Party, and so does not enjoy mentionable support from the White House. Eighty per cent of the agency's human and financial resources are controlled and its affairs conducted by the Secretary of Defense. It has become known now by all that Laird and Helms were constantly in dispute over different estimates and opinions connected with the intelligence agency.

The new director, Schlesinger, has no former experience in the field of intelligence except for his having shown administrative skill when he headed the Atomic Energy Commission in the United States. James Schlesinger is a man of greater determination and firmness than Helms. He also excels him in following a conservative political policy. Informed sources say that Schlesinger's dismissal of three top officials does not at all mean that he is resolved to do away with most of the agency's old timers. These circles demonstrate their viewpoint by pointing out that Schlesinger put in the place of one of the dismissed old timers another old timer, 53 years old, who entered the agency 23 years ago.

#### Other Branches Aid the CIA

[Here are listed five agencies connected with the field of American intelligence, with a brief, general description given of each of the following: the Atomic Energy Commission, the Federal Bureau of Investigation; the National Security Agency; Bureau of Intelligence and Research; the Defense Intelligence Agency.]

THE EVENING STAR and DAILY NEWS  
Washington, D. C., Monday, April 30, 1973

A-15

**CHARLES BARTLETT**

## Sihanouk's War With CIA

With the enemy knocking on the gates of Phnom Penh, Lon Nol's grudging acceptance of a conciliatory council has the look of a reform that has come too late.

Lon Nol is taking help where he can get it, and his belated agreement to readmit Sirik Matak to the leadership council is combined with some strenuous overtures to the Soviets. It is a crowning irony of Southeast Asia's complex diplomacy that a leader who wears the brand of an American puppet should reach for a lifeline from the Kremlin.

The Soviets have, it turns out, been just as wrong as the Americans in calling the turn on Cambodia. It was probably because they desired to accommodate President Nixon and lacked a clear view of the Cambodian peasant mentality. So they left Prince Sihanouk to the mercies of the Chinese with confidence that he would find no warmth in Peking. But Mao and Chou En-lai shrewdly treated the god-king like a prince while they enabled him to become an effective guerrilla leader.

So the actual hope now is not that Lon Nol's new council will manage to assert its authority over Cambodia. It is more realistic to hope that the council can become the instrument for a negotiated settlement which will yield a government with some balance in its future outlook. But even this may be wishful because Sihanouk has written that he will never enter "any coalition or other compromise" with the Lon Nol group.

Sihanouk supplies this and other timely insights in a new book called "My War with the CIA." While the prince writes with paranoiac intensity about the harassments he has allegedly suffered from American intelligence, he writes with the clarity of a brilliant politician about the forces at work in Cambodia and why the Nixon doctrine has not found this to be favorable terrain.

An important fact illuminated by the book is the resilient nature of Sihanouk himself. Originally enthroned by the French, who mistook him for a malleable lamb, he committed himself to the tradition of his namesake grandfather, a fervent champion of Cambodian independence. The passion of Sihanouk's ambition to keep his people free of foreign yokes is attested to by the major moves of his career.

This was why, after forcing out the French, he gave up the throne in 1955. He felt stifled by the sycophancy of court life and unable to lead or stimulate the nation. He eliminated the U.S. aid program in 1963 because he believed it was corrupting the people and impinging upon his options. He broke with the United States over a military encroachment on his territory and risked his standing with the North Vietnamese to protest their troops' use of his sanctuary.

He has pursued independence with a defiant spirit because his outlook, like his people's, has been shaped by 2,000 years of vulnerability. He seemed in 1971 to have

hurt his prospects of regaining power by relying on the North Vietnamese army. But he seems to have been vindicated by Lon Nol's far greater reliance on American bombers along with South Vietnamese and Thai soldiers. "Lon Nol has been," Sihanouk writes, "our best recruiting officer."

Sihanouk is not, by his own testimony, making his way back in order to serve as a Communist puppet. He writes of "neutrality with nuances" as his objective in foreign policy. This apparently means he will play the game as he did before his overthrow, larding his neutrality with manifestations of a clear preference for his strong Communist neighbors.

He wants to preside over a Socialist, egalitarian society which will not be Communist. He appears bent on recreating a social structure much like the one he left in 1970. He believes in private property for the peasants and nationalization for industry. He will be wary of Japan's economic penetration because, as he writes, "the only real guarantee for maintaining non-alignment is to neutralize the forces of internal reaction."

This was the weakness of the faction on which the Americans and Soviets bet. It represented the forces of internal reaction. It was a poor choice, and its blatant failure makes it important to hope that the U.S. government, despite Sihanouk's allegations, had nothing to do with the machinations which brought it to power.

HS/HC-950

# WHY "SPY" AGENCIES ARE BEING SHAKEN UP

**Drastic changes are aimed at ending rivalries and improving the usefulness of U. S. intelligence. One result: Some inner workings are being disclosed.**

The supersecret U. S. intelligence apparatus is being rocked from within on a scale never before so visible to the public.

What set off the tremor is a major overhaul, now in progress, of the machinery that produces the worldwide intelligence assessments on which crucial national decisions are based.

Under James R. Schlesinger, the new Director of the Central Intelligence Agency and overseer, also, of the vast U. S. information-gathering network—military as well as civilian—significant changes are being made. They have these objectives:

- To shake up the whole system and sharply improve its usefulness to the President and his top advisers.

- To process vital intelligence more effectively, at less cost.

Mr. Schlesinger cracked down on CIA, his home base, first. Now he is expected to focus on other parts of the intelligence community—military and civilian.

**Payroll reductions.** In the reorganization process, wholesale firings have occurred at the CIA—a cutback, sources say, of perhaps more than 1,000 of the agency's estimated 15,000 employees.

Some professionals assert that Mr. Schlesinger is bent on rooting out an "intellectually arrogant" clique that has been riding high in the CIA hierarchy for years.

Others counter that the chief purpose of the housecleanings is to enable the Nixon Administration to "politicize" the intelligence mechanism to its own ideological shape—and use Mr. Schlesinger to do it.

Both charges are vigorously denied by responsible people on all sides. Instead, the charges are cited as examples of the bitter bureaucratic infighting going on in Washington—and spreading into the intelligence system.

On one front, heated feuding between the CIA and the Pentagon's Defense Intelligence Agency—DIA—is out in the open.

Pentagon intelligence specialists, trying to regain control of assessing military threats to the U. S., are citing what they characterize as examples of blunders and bias by the CIA.

The military critics admit that their own mistakes a decade and more ago obliged the Government to turn to the civilian CIA for the main assessments on military threats. But now, the military men contend that DIA has been revamped, is more objective—and less of a lobby designed to scare Congress into voting higher defense budgets.

Against that background of turbulence, Mr. Schlesinger is moving to carry out the sweeping reorganization of the U. S. intelligence community originally ordered by President Nixon a year and a half ago—in November, 1971.

Knowledgeable sources say that Richard Helms, now Ambassador to Iran, was replaced by Mr. Schlesinger as CIA Director because he failed to carry out the overhaul mandate to Mr. Nixon's satisfaction.

A top man in the intelligence network put it this way: "The President and his national-security adviser, Henry Kissinger, just didn't think they were getting their money's worth."

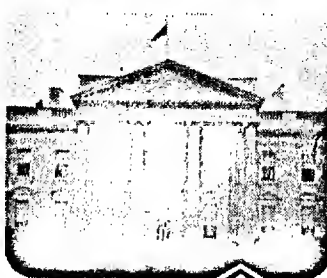
The reorganization plan, in fact, is Mr. Schlesinger's own handiwork. He drafted it while serving as Assistant Director of the Office of Management and Budget. Later, he was named Chairman of the Atomic Energy Commission—the job from which he was transferred to his present post as America's "superspy."

Like Mr. Helms before him, Mr. Schlesinger is not only Director of the CIA but also Director of Central Intelligence—DCI. That makes him boss of all American intelligence operations.

**New faces.** One thing that Mr. Schlesinger has done is to put together what he calls the intelligence community staff, with offices on the top floor of the CIA headquarters building in a Virginia suburb of Washington.

Significantly, two military-intelligence

## THE U.S. INTELLIGENCE NETWORK AND WHAT IT DOES

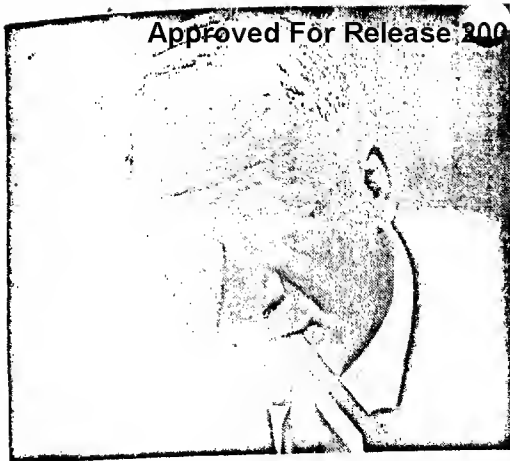


James Schlesinger, Director of Central Intelligence, presides over the U. S. Intelligence Board, which sets intelligence requirements and priorities.

Represented on the board are—

**CIA**

Central Intelligence Agency, top-secret Government organization, responsible only to the White House, collects and evaluates intelligence information, runs clandestine missions abroad, conducts espionage and counterespionage.



CIA Director James R. Schlesinger, who oversees all U. S. intelligence, designated two military men among deputies.



Maj. Gen. Lew Allen



Maj. Gen. Daniel Graham

source, the aide who blocked the erroneous estimate "won no friends."

• In Vietnam, it is now revealed, CIA and DIA were often at odds. For instance, they agreed that some Communist arms were reaching South Vietnam through the Cambodian port of Sihanoukville, but both were "wildly wrong" on how much. But an official, not in intelligence, recalls that CIA was "much further wrong" than DIA—although each was on the low side.

experts have been assigned to that staff as Mr. Schlesinger's deputies. One is Maj. Gen. Lew Allen, of the Air Force, who has been nominated for promotion to lieutenant general. The other is Maj. Gen. Daniel O. Graham, of the Army, a career intelligence officer.

General Graham, who has been deputy director for estimates in the Pentagon's DIA, sounded a call in an article he wrote recently for "Army" magazine advocating reassertion of a dominant role for the military in estimating security threats. May 1 was set as the date of his move to Mr. Schlesinger's staff.

As the shake-up of the intelligence establishment continues, charges and countercharges are giving Americans a rare look at its inner workings and hot rivalries. For example—

• Military men are alleging that "bias" of top-level CIA evaluators colors final estimates sent on to the President and his aides.

One case cited by a critic of the CIA:

"An estimate entitled 'New Order in Brazil' was prepared as a basis for

policy decisions. Use of the term 'New Order' in the title was like overprinting a Nazi swastika on the cover. It painted the blackest possible picture of the present Brazilian Government, making Brazil look like an imminent threat to the U. S. If the President had acted on that report, he would have cut all aid to Brazil."

• The CIA is accused of failing to use information it had in hand to alert the White House to Russia's acute food shortage last year. The point made is that the Soviets were able to negotiate a billion-dollar grain deal with the U. S. on terms favorable to the Kremlin—and unfavorable to the American housewife, who had to pay more for bread.

The CIA answers this charge by contending that the information was passed along to the Department of Agriculture, which, in the CIA view, failed to act on it promptly enough.

• A military intelligence official says that before the Soviet invasion of Czechoslovakia in 1968, the CIA director of estimates offered a report prepared for the President saying there would be no invasion. An aide, disagreeing, used various stratagems to avoid forwarding the report. The delay prevented embarrassment for the CIA when the Russians did invade, but, according to the

• Another charge by critics of the CIA: After the Tet offensive of 1968, CIA reported Communists had seized vast portions of the countryside, because contact was lost with most sources outside the cities. This assumption was disproved by on-the-spot checks by DIA teams in helicopters.

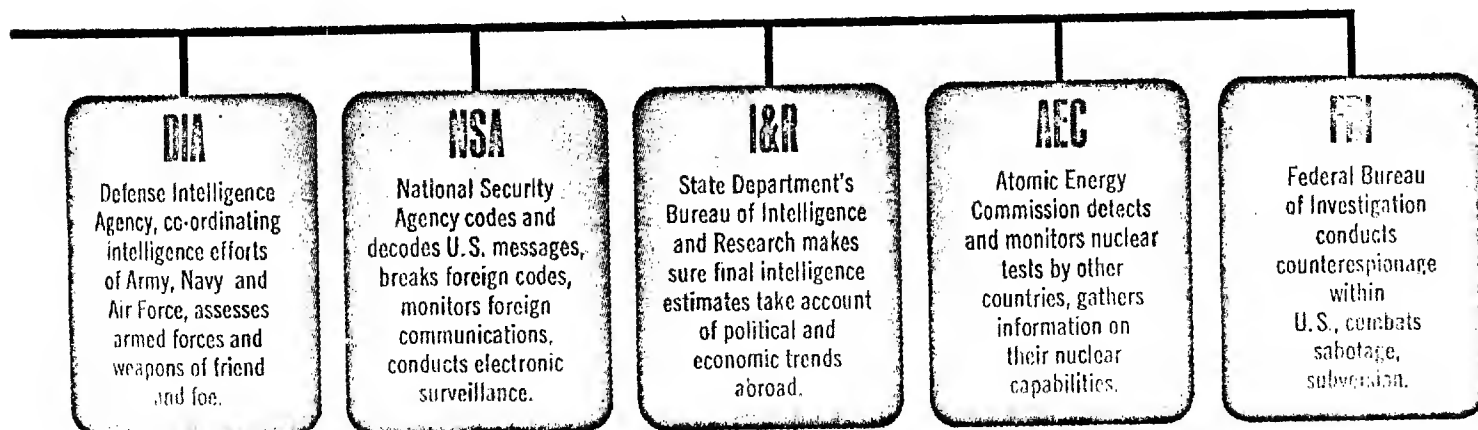
An illustration of conflict between civilian and military analysts:

In a recent national estimate, the CIA took the position that Japan would never consider arming itself with nuclear weapons. The DIA argued that the Japanese were keeping abreast of nuclear technology and would not hesitate to "go nuclear" if Tokyo felt that was necessary for survival.

When the document was brought to Mr. Schlesinger, an insider says, the CIA analysts emphasized that they had put their views first, as the current position, and the DIA estimates were relegated to the back pages. Mr. Schlesinger was said to have "hit the roof" and to have ordered that the military view be given equal prominence.

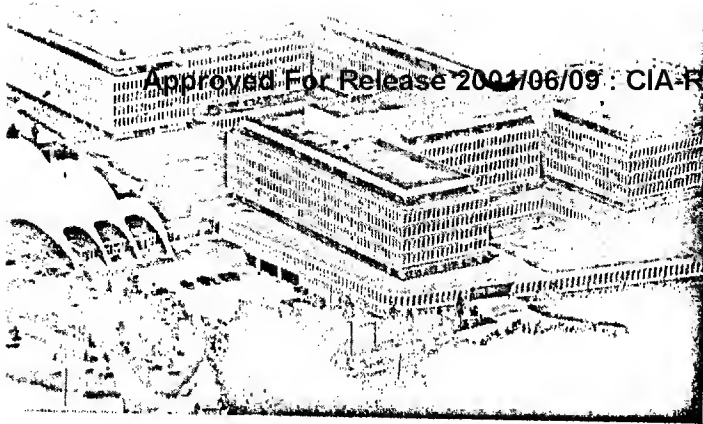
• General Graham, in his writing in "Army" magazine, admits serious DIA shortcomings in the past. He charges that Pentagon intelligence has damaged its own status by inflating its estimates of threats to the "worst case" possible—

(continued on next page)



In addition, Treasury Department provides economic data on other countries.





Overhaul of U. S. intelligence network is creating tension at CIA's massive headquarters near Washington.

## "SPY" SHAKE-UP

[continued from preceding page]

in order to get more money from Congress. He claims that this tendency has been largely eliminated.

- General Graham also charges that, in the past, military intelligence has been too prone to tailor its assessments to the need "users" have for intelligence that "supports the program."

**Assessing blame.** In some instances, blame is being heaped upon both civilian and military intelligence agencies. One thing pointed out is that the entire U. S. intelligence community—despite warnings from some agents—refused to believe that Soviet boss Nikita Khrushchev would dare to risk putting offensive missiles in Cuba in 1962.

Khrushchev did just that, however, and the "missile crisis" resulted.

Some of the military intelligence experts now insisting on a stronger voice in the evaluation of raw data concede that, in the past, the armed forces have been supplied with exaggerated estimates of the Soviet threat—such as the "missile gap" of a decade ago that turned out to be nonexistent.

It is pointed out, however, that the DIA has had a thorough housecleaning in recent years.

**"Time to reassert."** In his article for "Army" magazine, General Graham wrote:

"... I think the time is ripe for the military profession to reassert its traditional role in the function of describing military threats to national security. Both the military user and the military producer of strategic intelligence have come a long way since the 'missile gap' days. DIA has hit its stride in the production of respectable military estimates."

Many CIA professionals in top and middle ranks are unhappy about the

organization. A comment typical of this viewpoint:

"... that those who seek to present intelligence as it is, rather than as the situation is seen by those supporting specific policies, are being plucked out."

Aides of Mr. Schlesinger deny that he has any intention of "politicizing" the agency. They point out that at his confirmation hearing before the Senate Armed Services Committee he said he was determined to maintain the independence and integrity of intelligence evaluations.

Within the Nixon Administration, dissatisfaction with the CIA has centered particularly in the National Security Council staff, which is under the direction of Mr. Kissinger.

The main complaint has been that evaluations of raw intelligence often reflected the biases of top men.

To that, one CIA man retorts:

"We feel that we do a better job of evaluating raw intelligence without bias than the military does—or, for that matter, than people like Kissinger who are defending a specific policy."

The argument is made that—particularly since the days when the late Allen Dulles was its Director—the CIA's "controlling voice" in the intelligence community has sought intelligence estimates unaffected by the policies of the Administration in power, the Pentagon, the so-called military-industrial complex, or any other group.

**Changes in the works.** Whatever the merits of the arguments now boiling, drastic changes are being made by Mr. Schlesinger.

They include:

1. To reduce costs, overlapping intelligence agencies are to submit "bids" on operations that are assigned by President Nixon and the National Security Council. The Intelligence Resources Advisory Committee, set up under the 1971 reorganization plan, is to consider the competing "bids" and accept the least expensive if the bidder can convince the Committee that his agency can do the job.

2. Mr. Schlesinger is making it clear that he will exercise fully his authority over all of the intelligence services. In the past, this has been a difficult problem for the Director of Central Intelligence, because the Defense Department gets most of the money and most of the manpower.

3. As DCI, Mr. Schlesinger will decide which of the U. S. intelligence agencies—military and civilian—will carry out operations assigned by the White House.

4. Each agency is to be kept fully aware of what all the others are doing.

5. Cost experts are combing through operations to determine how to use fewer men and spend less money.

**"To be continued."** Some projects are being phased out as inefficient or outmoded. One report indicated a sharp curtailment in clandestine operations. But an insider commented:

"They may not talk about these as much as they did, but like it or not, these activities are part of the way of life in the world today, and they will be continued."

One revision put into effect by Mr. Schlesinger has to do with preparation of CIA reports requested by the President and other high officials.

**Condensed intelligence.** Previously, such requests were answered with detailed studies—20, 30, or even 50 pages long. Now, the reports run no longer than three double-spaced pages. A CIA official explained:

"Instructions from Schlesinger are to answer the questions asked—and no more. No background. No historical discussion. Just keep in mind that the President or the Secretary of the Treasury or whoever else asks the questions is a busy man. He rarely has time to read long reports. What he needs is for use right now—today—in order to make a decision."

The telephone number of the analyst or working group responsible for the report appears on the document, so if more information is needed, it can be obtained without delay.

In line with Mr. Nixon's efforts to reduce federal spending, the intelligence agencies are under orders to reduce costs.

Just how much is being spent to piece together the information essential to national security is not a matter of public knowledge.

**A 6.2 billion cost?** Senator William Proxmire (Dem.), of Wisconsin, estimated recently that the cost of gathering military and civilian intelligence is 6.2 billion dollars a year. But Albert C. Hall, Assistant Defense Secretary for Intelligence, said that Mr. Proxmire's figure is "just plain wrong."

Without hinting at the actual figures, Mr. Hall said that the Pentagon's intelligence budget has been cut by about a third in the last three years.

Other sources say that manpower in the CIA and the other intelligence services, including the National Security Agency, now totals less than 125,000—a reduction of more than 25,000 since 1971.

Thus, a money crunch and diminished manpower are added problems at a time of sharp change and open conflict for the agencies which function as the "eyes and ears" of the United States around the world.

[END]



## The Big Shake-Up in

*In Hong Kong, an agent of the U.S. Central Intelligence Agency slips into a railroad yard and checks the wear on ball bearings of freight cars coming in from China to try to spot unusual troop movements. Meanwhile, another agent goes to the Hong Kong central market and buys a large order of calf's liver from animals raised in China to run a lab test for radioactive fallout.*

*In Eastern Europe, a CIA team tries to obtain a sample of a Communist party chief's urine. Purpose: to determine his state of health. The CIA did this successfully with Egypt's late King Farouk but failed recently with Yugoslavia's President Tito.*

THESE are only a few of myriad missions that the CIA has performed around the world. The agency is also constantly accused of fantastic James Bondian exploits that more often than not it has nothing to do with. The fact is that no nation can any longer accept Secretary of State Henry Stimson's bland dictum of 1929 that "gentlemen do not read other people's mail." In a nuclear-ringed globe, intelligence is more vital than ever. Nor can a world power automatically limit itself to such a passive role as mere information gathering; trying to influence events may at times be necessary. But it can no longer be done with the crudity and arrogance displayed in the Bay of Pigs invasion of 1961, or the attempt with the International Telephone and Telegraph Corp. to sow economic chaos in Chile in 1970. To harness the CIA's excesses and yet utilize its immense capabilities for keeping the U.S. abreast of world developments, the Nixon Administration has ordered the greatest reorganization in the agency's 25-year history.

**Cooperate.** Reports TIME's Diplomatic Editor Jerrold Scheeter, who has been keeping a watch on the CIA: "For the first time since its founding the CIA is undergoing a thorough shakeup of personnel and redirection of mission. The two main targets of U.S. intelligence activities continue to be the Soviet Union and China. But a rapidly developing *détente* with those countries has created different demands on the intelligence establishment. Along with traditional estimates of the missile and military capabilities of Communist countries, the White House is insisting on a new emphasis on assessments of their political and strategic intentions. The entire intelligence estimating process is being refined to include more stress on such developments as Soviet and Chinese grain outputs and computer advances."

To chart this new direction, President Nixon has turned to a tweedy, pipe-smoking economist and military strategist, James R. Schlesinger, 44, who

## a Gentleman's Club

in February took over as director of the CIA. Aides quote Schlesinger as saying that "the entire intelligence community can produce a better product with a lower level of resources." In short, the nation's spy network should generate better intelligence for less money.

Schlesinger has ordered the firing or forced retirement of 600 of the CIA's 18,000 worldwide employees; 400 more are expected to go by year's end. His aim is to cut costs, eliminate marginal performers, and change the leadership of the agency. Among those who have gone are several of the long-entrenched top deputies of former CIA Director Richard Helms, who tended to favor the "operational men," or spies in the field, over the cerebral analysts, who ponder the intelligence and make policy recommendations. These two sides of the agency, traditionally separated, have orders to cooperate more.

Paramilitary operations are being scaled down. In South Viet Nam, the CIA's role in the "Phoenix"—or counterterror—program has already been phased out. The program used CIA agents to advise the South Vietnamese in the "neutralization," or killing, of Viet Cong officials. Such covert activities are under the CIA's deputy director of operations, currently William Colby, 53, a former ambassador who was in charge of pacification in Viet Nam from 1969 to mid-1971.

Often called the agency's "dirty tricks department," Colby's section controls field agents who are involved in clandestine activities, including keeping a watch on the KGB (Soviet intelligence) and working with intelligence organizations in Western countries. But Colby's group is now placing new emphasis on such activities as getting early

warnings of—and curbing—international terrorist activities and narcotics traffic. Through intercepts of communications, the CIA has discovered who ordered the killing of the U.S. and Belgian diplomats in Khartoum two months ago. It also knows the financial sources of the Black Septemberists, who carried out those assassinations, as well as the murders of Israeli athletes at the Munich Olympics.

**Rivalry.** With the downgrading of cloak-and-dagger operations, one of Schlesinger's tasks will be the strengthening of the "leadership for the intelligence community as a whole," a recommendation that he himself urged on the President in 1971, when he was an assistant director of the Office of Management and Budget. Now, Schlesinger not only heads the CIA but also has ultimate responsibility for the Pentagon's Defense Intelligence Agency, which provides intelligence for the armed forces, and the National Security Agency, which directs spy planes, satellites and a vast communications-monitoring apparatus that cracks codes and gathers data from other countries.

Schlesinger, as chairman of the Intelligence Resources Advisory Committee, will be taking a hard look at the combined \$6.2 billion (some estimates put it as high as \$8 billion) spent by the three agencies. Nearly half of the money goes for satellite reconnaissance and spy planes; about \$750 million is budgeted to the CIA.

Schlesinger also must watch out for a smoldering rivalry between the CIA and the DIA. The rivalry broke out in the open recently in the form of an article in the small (circ. 75,000) monthly magazine *Army*, written by Major General Daniel O. Graham last December—before he was picked by Schlesinger to be a member of his five-man Intelligence Resources Advisory Committee. Graham's article contended that the Pentagon should win back from the

CIA primary responsibility for analyzing strategic military intelligence. To the embarrassment of military leaders, he conceded that in the past the Pentagon's estimates of Communist military potential were vastly overstated, and that the nation's decision makers rightly regarded those estimates as "self-serving, budget-oriented and generally inflated." But, he wrote, the Pentagon has so greatly reformed and improved its analysis in recent years that there will be no more "bad overestimates" like "bomber gaps," "missile gaps," and "megaton gaps."

Aided by Graham, who will be the primary link between Schlesinger and the Pentagon, Under the able Richard

CIA DIRECTOR JAMES R. SCHLESINGER  
Inducing constructive tensions.

Helms, CIA analysts had remained aloof from the military, and there were bitter battles between the CIA and DIA during the Viet Nam War over estimates of enemy infiltration and intentions. To increase accountability within the agency, Schlesinger has told CIA's analysts to sign all their intelligence reports. He hopes that bylines on the blue and white-covered CIA assessments will sharpen analyses and make the authors feel personally responsible for their assessments.

Schlesinger seems just the man to shake up the CIA. A seasoned scholar, bureaucrat and Republican, he enjoys the confidence of President Nixon. He was graduated *summa cum laude* from Harvard ('50), later got his Ph.D. in economics there, taught at the University of Virginia, and was director of strategic studies at the Rand Corp. He joined the old Bureau of the Budget in 1969, and two years later was named chairman of the Atomic Energy Commission. His prodding of utility executives to pay more attention to environmental safeguards impressed the President. When industry leaders complained, Schlesinger told them: "Gentlemen, I'm not here to protect your triple-A bond ratings."

While maintaining traditional secrecy about clandestine operations, Schlesinger is moving fast to lift the veil of conspiracy that has shrouded the agency. In an unprecedented move last month, he allowed a CIA agent, William Broe, the former chief of clandestine operations for the Western Hemisphere, to testify before a Senate subcommittee investigating the involvement of the CIA and the International Telephone and Telegraph Corp. in Chilean political affairs.

As tough-minded as he is candid, Schlesinger leaves little doubt that he is determined to reform and redefine the CIA hand. Said he recently to an old CIA hand: "The trouble with this place is that it has been run like a gentleman's club—but I'm no gentleman."



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Friday, April 13, 1973  
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THE WASHINGTON POST

## West German Denies He Was CIA Agent

Reuter

FRANKFURT, West German, April 12—West German technician Trutz Ritter von Xylander, freed by the Chinese authorities yesterday after more than five years of detention, denied on his return here today Chinese charges that he had worked for the U.S. Central Intelligence agency.

"I have never had any contact with the CIA, either before my arrest or now after my release," he told an airport press conference after flying here from Hong Kong.

HS/HC-950

THE EVENING STAR and DAILY NEWS A-5.  
Washington, D. C., Wednesday, April 11, 1973

## Pardoned CIA Spy Released by China

HONG KONG (UPI) — Trutz Ritter Von Xylander, 41, a West German jailed since 1967 on a charge of spying for the United States, crossed the border into Hong Kong today.

Von Xylander was convicted Oct. 22, 1969, of spying for the Central Intelligence Agency and was sentenced to 10 years in prison. He was arrested Nov. 17, 1967, while working as an equipment inspector and plant site clerk for the Lauri Co., which was erecting a petrochemical plant in the northwestern Chinese province of Kansu.

The West German Embassy in Peking announced Monday that China had pardoned Von Xylander and would release him. He was the last West German known to be held in China.

Peking Radio reported on the day of his conviction that Von Xylander was photo-

graphing restricted areas in Lanchow, the provincial capital of Kansu, and collecting important military, political and economic information on behalf of the United States. He was recruited by U.S. agents in West Germany before he went to China in October 1965, the report said.

Lanchow is known to be one of the key industrial support bases for China's nuclear and missile programs.

The German is scheduled to return to Frankfurt in the company of his brother, Horst Von Xylander, who had come to Hong Kong to meet him.

Approved For Release 2001/06/09 : CIA-RDP84-00499R001000110001-3

# Military Intelligence Role

By ORR KELLY  
Star-News Staff Writer

James R. Schlesinger, the new director of Central Intelligence, is giving the military a stronger role in assessing threats posed by other countries, according to the Pentagon's top civilian intelligence official.

Albert C. Hall, assistant defense secretary for intelligence, acknowledged in an interview yesterday that "some of the civilians up the river" (at the Central Intelligence Agency) are quite concerned by the new development.

But Hall, who was brought into the Pentagon by Defense Secretary Melvin R. Laird two years ago to strengthen civilian control over intelligence, said he thinks what Schlesinger is doing "is really quite sound."

SCHLESINGER, who drew up a plan for revamping the intelligence community when he was at the office of Management and Budget in 1971, has placed two career soldiers on his personal staff.

Maj. Gen. Lew Allen, a West Pointer who holds a doctor's degree in physics and who has been active in Air Force nuclear and space programs, became one of Schlesinger's deputies "for



JAMES R. SCHLESINGER

the intelligence community" on March 1. He was nominated yesterday for promotion to lieutenant general. Maj. Gen. Daniel G. Graham, a career intelligence officer who is now deputy director for estimates in the Defense Intelligence Agency, is scheduled to become a deputy to Schlesinger May 1.

While Schlesinger is reportedly embarking on a house cleaning to cut about a 1,000 persons from the CIA payroll of about 15,000, he has given his stamp of approval — at least for the time being — to

the military intelligence operation, Hall said.

"I have told the DCI (Schlesinger) what we are doing, what our objectives are, and how we are going about researching them in a broad sense and he's endorsed them," Hall said.

THE DIA, the key Pentagon intelligence office, underwent a house cleaning of its own beginning in 1970, when Lt. Gen. Donald V. Bennett became its director. The entire defense intelligence community has received a further shaking up under Hall.

Over the years, there has been a tendency to downgrade the military estimate of the threat from other countries — primarily the Soviet Union — and for the civilian analysis of the CIA to be predominant, Hall said.

"On the civilian side — up the river — they were more inclined to regard the Soviet Union as a more peaceful entity than it actually is. Their tendency is to regard what they (the Soviets) do as a reaction to us," Hall said.

The military picture tends to make the Soviets look like the fierce guys, and that we've got to catch up, he said.

"In analysis of the Soviet Union, one was too far on one

side, the other too far on the other side. I don't want to overstate this, because it was not that bad a situation. But it would be better if they both moved toward the middle," Hall said.

WHILE the different interpretations seemed to provide a broad range of views, the opposite was often the case, Hall said. Graham, in an article of the current issue of Army Magazine, said "planners of all services 'coordinating' an intelligence estimate are quite capable of reducing it to lowest common denominator, mush."

The goal now, Hall said, is to recognize that "There really isn't one estimate — that there are ranges of possibilities driven by certain circumstances."

"It is important to get the ranges and the circumstances laid out," he said.

Unfortunately, he added, many of those who receive the intelligence information would rather have a specific figure than a range of choices.

HALL ALSO STRESSED throughout the interview, that he is seriously concerned about the nation's intelligence budget. Over the last three years, he said, the Pentagon's intelligence budget has been cut about a third.

"We don't have all the things covered at all that we'd like to have covered," he said. "When resources are limited, it is no easy way out of that situation."

Hall refused to say how much Nixon spends on intelligence or how many people

## Seen Enhanced

are involved. He did say, however, that an estimate by Sen. William Proxmire, D-Wis., that the nation's annual intelligence bill is \$6.2 billion is just plain wrong.

PROXMIRE SAID yesterday his figures were "in the

ballpark" and called on Schlesinger to make the intelligence budget public.

He said his estimates of manpower and budget are: CIA, 15,000 and \$750 million; National Security Agency, 20,000 and \$1 billion; Defense Intelligence Agency, 5,016 and

\$100 million; Army Intelligence, 38,500 and \$775 million; Navy Intelligence, 10,000 and \$775 million; Air Force Intelligence, 60,000 and \$2.8 billion (including satellite launches and reconnaissance); State Department intelligence, 335 and \$8 million.

Approved For Release 2001/06/09 : CIA-RDP84-00499R001000110001-3

## U.S. Spying Cost Put at \$6.2 Billion

Associated Press

Sen. William Proxmire (D-Wis.) said yesterday the U.S. intelligence community employs about 148,000 persons and spends about \$6.2 billion each year.

Renewing his call for drastic cuts in the cost of American spying and covert activities overseas, Proxmire urged James Schlesinger, new Central Intelligence Agency Director, to make public the government's entire intelligence budget, which has always been secret.

Proxmire said he is not opposed to a first-rate American intelligence operation but does believe that the intelligence establishment has swollen out of proportion to national defense needs and that congressional controls and restraints on it have eroded.

He said his cost and manpower estimates are not based on classified or official sources and noted that they depict the CIA as smaller in both personnel and budget than at least three other U.S. intelligence groups.

Proxmire's estimates show the CIA with a work force of 15,000 and an annual budget of \$750 million. These are his other estimates:

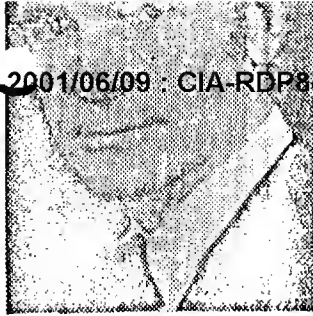
National Security Agency, 20,000 and \$1 billion; Defense Intelligence Agency, 5,016 and \$100 million; Army Intelligence, 38,500 and \$775 million; Navy Intelligence, 10,000 and \$775 million; Air Force Intelligence, 60,000 and \$2.8 billion, and State Department Intelligence, 335 and \$8 million.

Proxmire said his estimates are "not without error," but nevertheless are "in the ballpark."

"These figures do not reflect, however, the coordination that is involved from one organization to another," Proxmire said. "The Air Force, for example, supplies the launch boosters and satellites for the highly successful reconnaissance program and this is one reason the budget is so high."

Proxmire has said previously that secret missions by intelligence agencies overseas are needlessly involving the United States in the political affairs of other countries at a period when the need for the missions has been greatly reduced by modern techniques of electronic and aerial surveillance.

THE WASHINGTON POST Wednesday, April 11, 1973



SEN. WILLIAM PROXMIRE

## Proxmire Asks Cut in U.S. Spying

United Press International

Sen. William Proxmire, D-Wis., has called for a drastic reduction in secret U. S. intelligence operations overseas, estimating their cost at \$6 billion a year and saying their value is greatly exaggerated.

"Our foreign covert operations have brought little but embarrassment abroad and confusion at home," he said yesterday. "They should be cut to the bone. In the day of sophisticated electronic devices, no longer is there a sound justification for covert operations to defend the U. S. from surprise attack."

Proxmire, who is also a leading congressional critic of Defense Department spending policies, alleged that the U. S. intelligence operation had switched gradually from collecting information to becoming involved in the affairs of foreign countries, and expressed fear this could be a possible prelude to similar tactics in this country.

"In too many cases," he said, "we are substituting clandestine operations for sound foreign policy. Furthermore, due to the 'spill-over' effect, it could lead to covert domestic operations."

He said that, for example, the responsibilities of the Central Intelligence Agency have been expanded by "secret interpretive directives" which Congress never sees.

In a statement issued from his office, Proxmire recommended steps which he said would permit trimming as much as \$1 billion from the intelligence budget.

THE EVENING STAR and DAILY NEWS  
Washington, D. C., Monday, April 9, 1973

HS/HC- 950

The Washington Merry-Go-Round

THE WASHINGTON POST Saturday, April 28, 1973 E 31

# Bureaucracy Engulfs Wounded Knee

By Jack Anderson

The bureaucratic build-up outside Wounded Knee is a testament to the government's way of doing things. No less than 400 federal officials have descended upon the small South Dakota village to negotiate, mediate, consult and occasionally exchange gunfire with the Indian occupiers. Cost to the taxpayers: around \$2.7 million.

Yet at this writing, the Indians remain armed and angry.

Take the problem of roadblocks, for example. The daily crisis reports from Wounded Knee, intended for Justice Department eyes only, tell how armed local residents threw up their own vigilante roadblock. Assistant Attorney General J. Stanley Pottinger "met with them at the roadblock shortly after it was established but failed to talk it down," declares a crisis report.

Next day, the vigilante group refused to allow the Community Relations Service's peace-keeping team into Wounded Knee, while "no CRS personnel were in Wounded Knee" to restrain the militants, a "most serious incident" took place. According to a report, the incident "involved the alleged looting of a rancher's home and cattle by WK (Wounded Knee) occupants." Three days later serious shooting broke out, and

one militant Indian was critically injured.

Still, Pottinger took no action against the unauthorized roadblock. "Pottinger has indicated to CRS and at staff briefings," states a report, "that he is inclined to arrest the leaders of the roadblock, but most other agencies advise against it for purposes of public relations or convenience."

Explaining what is meant by "convenience," the report tells of "a planned march on WK by clergymen and others (Easter) weekend. The government would rather have the marchers detained by a citizens' roadblock than by an FBI one."

The Easter march fizzled, and Pottinger finally ordered the roadblock removed. But meanwhile, he was having trouble with the government's own roadblocks. He obtained an order from Washington to put all federal roadblocks and bunkers under the command of U.S. marshals.

"Previously," notes a report, "the marshals, the FBI and the BIA police each manned their own units, and it was difficult to verify and control the repeated incidents of federal vehicles and troops (mostly FBI and BIA police) moving into the WK perimeter."

The CRS peace-keeping team has now returned to Wounded Knee. But the Indians and the federal officers are still manning their armed bunkers. As one federal offi-

cial put it, "We're now back to zero again."

## Military Martinet

Maj. Gen. Daniel Graham, a short, ramrod-straight authoritarian, is moving from the Defense Intelligence Agency to the Central Intelligence Agency to take charge of strategic estimates.

He has already alarmed CIA hands by writing in Army Magazine that vital security estimates should be made by military analysts, although he acknowledges that DIA estimates have been slanted in the past to please the Pentagon bosses and the CIA estimates have been more accurate.

The alarm hasn't been allayed any by reports reaching CIA headquarters of his conduct as head of the Wakefield (Va.) High School PTA.

He circulated a memo, for example, urging that five teachers be fired and eight others be enlisted as informers. He wanted them to keep an eye on suspicious teachers and students. The Graham faction also brought pressure to oust the school's able principal, who finally left voluntarily.

In one stormy PTA meeting after another, Graham has fought student privileges including the right to participate fully in PTA activities. So vehement is he at PTA meetings that some neighborhood government officials are afraid to argue with him for fear he'll retaliate against

them in their jobs. In response to our inquiries, Graham sent word through his secretary that he wouldn't speak with us.

**Inside North Korea**—Visitors just back from North Korea remind us that Kim Il Sung's Red regime is still one of the most oppressive on earth. They describe the towns as drab, the social life as sterile, the people as regimented and the atmosphere as harsh. Individually, the North Koreans were friendly and curious. But in the presence of others, they became stiff and strident. Their private opinions suddenly conformed to the rigid official line. North and South Korean delegations, meanwhile, are preparing for another round of negotiations.

**Sikkim Strife**—Hush-hush reports smuggled out of the Himalayan kingdom of Sikkim charge that India is financing riots against the regime of King Palden Thondup Namgyal as part of a plot to take full control of his land. The dashing king became a special favorite of Americans when he married a pretty New Yorker, Hope Cooke. Lately, demonstrations have shaken his monarchy, and Indian troops have crossed the border "in the interest of law and order." Insiders close to the royal family have gotten word to us that, even as the troops moved in, Indian political officer K.S. Bajpai began to pressure the king to "hand over all power" to India.

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JOURNAL

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# Tight Rein Urged on Intelligence

By DOANE HULICK

Congress and the executive branch of the government should exercise vigorous control over the nation's intelligence-gathering agencies, according to a Brown University political scientist.

Lyman B. Kirkpatrick, a former high-ranking CIA official who joined the Brown faculty eight years ago, said strong controls are needed especially in the field of domestic intelligence.

"The less we have of domestic intelligence the better," he said.

Mr. Kirkpatrick is the author of a new book: "The U.S. Intelligence: Foreign Policy and Domestic Activities," which is scheduled for publication in the fall.

It analyzes the nation's intelligence apparatus and its relationship to the President, Congress and the public.

Mr. Kirkpatrick believes both the executive and legislative branches of the government have at their disposal adequate means of overseeing intelligence operations.

"The whole point is that they should exercise more aggressive controls," he said.

Critical of the decision to assign the Army a role in gathering domestic intelligence during the height of civil unrest stemming from the war in Southeast Asia, Mr. Kirkpatrick maintains that "the Army shouldn't be involved in that kind of business. That is the role of the FBI."

The Brown professor served as a staff officer, assistant

director, inspector general and executive director-controller of the CIA during his two-decade career with the agency. He emphasized that espionage is only a small part of the agency's work, and assumes a secondary role to research and the analysis of



Political science professor Lyman B. Kirkpatrick.

--Brown University Photo by HUGH SMYER

newspapers, government publications and computer printouts to evaluate them from an intelligence standpoint.

At Brown Mr. Kirkpatrick teaches courses on Cold War operations, American military affairs and problems of national strategy and policy. The seminar on American military affairs is new this term and was organized with the help of a \$143,000 grant from the Carthage Foundation of Pittsburgh.

A portion of the seminar will focus on a case history of the Vietnam war, using the Pentagon Papers as resource material.

Mr. Kirkpatrick rates U.S. intelligence in Vietnam as generally good in the area of strategic matters, but has concluded that tactical information was less reliable. "Good tactical intelligence was difficult to come by since the Viet Cong controlled so much of the countryside," he said.

Mr. Kirkpatrick said his standard reply to criticism of the CIA for activities such as the Bay of Pigs invasion and to charges that the agency has too much say in foreign policy is that "the CIA does what it is told to do."

"As long as we live in a world with intense competition and hostility we need a good intelligence system," he said.

"But intelligence is, as a word, related to military affairs. My conviction is that intelligence work is closely related to peace," he added.

Mr. Kirkpatrick said the FBI is the only appropriate agency to engage in domestic intelligence gathering activities and is so designated by federal laws. When the Army entered this field in 1968, its intelligence collecting opera-

## Apparatus

tions snowballed to the point that dossiers were being created almost indiscriminately, he said.

In the field of foreign intelligence, Congress has the options to exercise influence and controls through appropriations, Mr. Kirkpatrick said.

Lawmakers such as Sen. J. William Fulbright, chairman of the Senate foreign relations committee, and Congressman George Mahan, chairman of the House appropriations

committee, are continually placing CIA activities under scrutiny.

He said he believes the CIA has a legitimate role in investigating foreign drug traffic, adding that the agency has been involved in that kind of investigative activity for 25 years.

It was recently reported that the agency would broaden its activities in this field and also use its intelligence gathering resources in an effort to curb acts of terrorism.

## The Washington Merry-Go-Round

# CIA-Inspired Tibet Raids Wind Down

By Jack Anderson

In mountainous Nepal, least bloody war is winding America's least known and down. The warring tribesmen and the Central Intelligence Agency, which recruited them, are losing interest in the adventure.

After the fleece-clad Red Chinese legions crushed a revolt in Tibet in 1959, the fiercest of the Tibetan clans fled on wiry ponies into the high fastness of Nepal.

CIA agents slowly gained the confidence of the mountain fighters, known as Khampas or "warriors," and began organizing them against the Chinese. In the cloud-capped regions of Mustang and Dolpa, the Khampas were outfitted with American saddles, small arms and other equipment.

Then, out of the craggy highlands, they swooped down into Chinese military encampments in Tibet, disrupting communications and stealing supplies. This distressed the Nepalese authorities, who never authorized the raids and feared Chinese retaliation.

We spoke to sources who were invited to participate in a raid on Chinese army facilities in Tibet. The Khampa leader claimed he learned his English and was trained in guerrilla tactics in the United States.

In past years, Indian intelli-

gence agents were used to parachute American supplies to the Khampas' mountain bivouacs. The bright orange supply parachutes were converted into shirts by the Khampas and quickly became a "Red Badge of Courage" in Tibetan refugee restaurants in Kathmandu.

But now the Tibetan refugees, when they gather in the restaurants for marijuana stew and cakes, are forlorn. The American aid is drying up, and the Khampas have to depend on the penurious Indian intelligence services for supplies. This has so weakened them that the Nepal government, branding them "bandits," has been able to move them from the border areas. Now when the tribesmen feel war-like, they prey on peasants instead of Chinese soldiers.

Thus has a faraway war flared up and died down, virtually unknown to the American people, whose dollars supported it and whose secret agents encouraged it.

## Washington Whirl

**Campaign Finances**—We recently reported that most of the Nixon scandals, from ITT to Watergate, were outgrowths of the 1972 presidential campaign and the corruptive method of financing politics in this country.

We suggested that the taxpayers would be better off if

they earmarked a dollar of their taxes for the political party of their choice. They can do this simply by filling out the Presidential Election Campaign Statement, Form 4875.

But a spot check by IRS disclosed that only two of 29 employees, assigned to assist taxpayers with their returns, bothered to inform the taxpayers of the campaign checkoff. This would seem to confirm Democratic National Chairman Robert Strauss' complaint that IRS, under Republican rule, is de-emphasizing the dollar contribution because it would give the debt-ridden Democrats an even financial break with the Republicans in the 1976 presidential election.

APR 10 1973

# Overhaul shatters CIA morale

By Keyes Beech  
Daily News Foreign Service

Morale of the U.S. Central Intelligence Agency, once the highest of any government agency operating in Southeast Asia, has sunk to an all-time low under the impact of a drastic reorganization under the new director, James R. Schlesinger.

Most CIA men in the field concede that an overhaul of the agency was long overdue, not only to keep pace with changing times but to eliminate deadwood personnel. Nor have they anything against Schlesinger, a budget-minded management expert who was President Nixon's choice to cut down to size not only the CIA but other government intelligence services as well.

But their greatest fear is that in the process, and under an administration that seems to insist on absolute loyalty to the President, the CIA will lose its most precious assets — its integrity and independence of judgment regardless of who is in power.

"I have no argument with efficiency and economy," said one senior CIA official and oldtime cold warrior. "But I would prefer a little inefficiency and room for initiative instead of seeing the CIA as the best-run agency in the government."

ACCORDING TO REPORTS REACHING Southeast Asian capitals, more than 1,000 employees have been lopped off the CIA payroll since Schlesinger took charge Feb. 2. One division received an 18 per cent across-the-board cut.

"For the most part it's the World War II types who are getting the axe — men in their late 40s or 50s," said one CIA man recently returned from the United States. "But some younger men in their 30s are also losing their jobs."

William A. Colby, a one time OSS agent who parachuted into France in World War II, transferred to CIA when it was born out of OSS and later became director of the pacification program in South Vietnam with the rank of ambassador until he returned to the CIA in a top job, was reported doing all he can to ease the pain for some of the old Southeast Asia hands.

Some senior CIA officials are returning to Washington without knowing what their next job will be — if they have one. Some are slated for retirement, even though they don't know it. Some CIA men are threatening to resign after more than two decades of service. The choice may not be theirs.

ONE CIA VETERAN HAILED the dismissals. "It's about time we cut down and got rid of some of the World War II types," he said. He is a World War II "type" who escaped the axe.

Among the first to be dismissed were such paramilitary men as those who for more than a decade helped run the clandestine war in Laos. Unlike career CIA agents, they were under contracts subject to termination in 30 days.

They had job security because there was always another war to go to. "Now," as one remarked, "we've run out of wars."

Schlesinger's takeover capped a changing of the guard that began at least two years before. Attrition and the disastrous Bay of Pigs affair took their toll of the World War II derring-do gentlemen-adventurer — spies and dirty tricks specialists who once dominated the agency.

"I'm one of the new breed — a technocrat," said one top CIA man.

BUT IT WAS THE END of the Cold War more than anything else that contributed to the decline of CIA influence in foreign affairs. That and the fact that today the most vital intelligence is gathered not by men but by computers and high-flying satellites.

The CIA emerged from the Vietnam War looking better than any other brand of government involved in the Indochina conflict. One reason was that CIA men tried to tell it like it was, not like somebody back in Washington wanted. This was amply proved by the Pentagon Papers.

# ITT Head Affirms Fund Offer

By Laurence Stern

Washington Post Staff Writer

Harold S. Geneen, chairman of the International Telephone and Telegraph Corp., acknowledged yesterday that he twice offered large sums of money to the U.S. government in 1970 to block the election of Chilean President Salvador Allende.

The ITT executive, reputed to be the nation's highest paid corporate officer, gingerly stepped around contradictions in previous testimony by ITT officials and other witnesses which Sen. Frank Church (D-Idaho) declared might be the basis for perjury action.

Geneen said he could not recall making an offer of a "substantial fund" to a top Central Intelligence Agency official, William V. Broe, in July, 1970, to finance an agency effort to stop Allende.

But he stipulated that he would accept Broe's sworn version of their conversation during a late evening meeting in Geneen's room at the Sheraton Carlton Hotel here.

He said the offer to Broe might have been ill-advised, prompted by his "shock" at political developments in Chile where he feared confiscation by the Allende government of ITT holdings. The CIA declined his offer, he said, and the matter "died right there."

But the offer surfaced again in different form in September after Allende's popular election, Geneen conceded under questioning. It came in the form of a proposal conveyed by ITT to national security adviser Henry A. Kissinger and Richard M. Helms, then head of the CIA, to donate "up to a million dollars" toward a plan to block Allende's confirmation by the Chilean Congress.

Geneen's emissary this time was John A. McCone, Helms' former boss in the CIA, an ITT board member and also a CIA consultant. McCone first disclosed the mission in earlier testimony to Senate investigators.

Geneen also disclosed that ITT had offered to contribute to the CIA in the 1964 election when Allende lost to Christian Democrat Eduardo Frei. The offer, he said, was turned down, as was the 1970 proffer to the agency.

For three hours under hot television lights Geneen sparred his Senate questioners. At one point Church, chairman of the inquiry, exclaimed that testimony on ITT's role was getting "curiouser and curiouser."

Geneen was flanked by two lawyers and a bodyguard. Behind him sat a row of ITT's top corporate officers. His testimony marked the closing session of the inquiry by the Senate Foreign Relations Subcommittee on Multinational Corporations into the giant communication conglomerate's activities in the 1970 Chilean election.

In earlier sessions ITT vice president Edward Gerrity said Geneen's second offer of a fund "up to seven figures" was for some form of development aid in housing or agriculture. He was never aware, said Gerrity, of the purpose disclosed by McCone: to finance U.S. government efforts to block Allende's confirmation by Chile's Congress.

But the ITT official who was supposed to convey the offer of development aid to the White House and State Department said yesterday he had never been instructed to make such an offer. "I passed on the message I received," said Jack Neal of ITT's Washington office.

Gerrity conceded he might have failed to pass along that ITT was ready to underwrite a \$1 million contribution for development aid to Chile.

Geneen himself took the position that the million-dollar offer was a "dual" offer: It might have been allocated by the government toward financing an anti-Allende coalition in the Chilean Congress, or it might have been used for development aid. "It was intended to be a very open offer," he said.

"If I were Dr. Allende," interjected Sen. Clifford P. Case (R-N.J.), "and a non-friend offered a plan to a group of my enemies to defeat Case—or, if Case should win, to make him regard that as provocative."

Geneen responded: "That depends on what the second plan was."

"I don't think I'd ever get over the first plan," Case snapped back.

"As the record now stands," said Church, "the beneficent plan, the constructive proposal, was never communicated to the government and died somewhere as it was being passed down to subordinates of the company... Why was something so serious never communicated to the government?"

Geneen could not explain the communication lapse within ITT.

In his prepared statement Geneen said he used the magnitude of "up to seven figures" in order "to show a serious intent and to gain serious attention from the Government."

In presenting ITT's role in the Chilean affair, Geneen said, "all that ITT did was to present its views, concerns, and ideas to various departments of the U.S. government. This is not only its right, but also its obligation."

At one point Church interjected, "If all this involved was petitioning the govern-

ment, why did you seek out the CIA?" Geneen responded: "Because I think they are good suppliers of information in this area."

The ITT chairman said he did not realize in meeting with Broe, the CIA's chief of clandestine services for Latin America, what the distinction was between the clandestine and intelligence services of CIA. The purpose for which he requested the meeting, Geneen said, was to get current information on political developments in Chile.

Normally intelligence briefings by the CIA are provided by its intelligence wing, the directorate of intelligence. The directorate of plans, for which Broe worked, is mainly responsible for covert operations such as political or economic sabotage.

# ITT Chief: Didn't Plot With CIA

By JEFFREY ANTEVIL

Washington, April 2 (NEWS Bureau). — International Telephone & Telegraph Corp. President Harold Geneen said today that he was in a state of "shock" at the prospect of his firm's investment in Chile "going down the drain" and that is why he offered company money if the Central Intelligence Agency would try to block the election of Marxist Salvador Allende as president.

Geneen told a Senate Foreign Relations subcommittee that the offer was dropped after CIA spymaster William V. Broe rejected it as a violation of U.S. policy. ITT took no steps to keep Allende from taking power in 1970, Geneen added. "If I had given it more serious consideration," he said of the money offer, "I might have rejected it myself."

But Geneen defended his firm's conduct against charges that it conspired with the CIA to interfere improperly in the Chilean election. "All that ITT did was to present its views, concerns and ideas to various departments of the U.S. government," he said, calling this the firm's "constitutional right" in light of its fears that Allende would nationalize the ITT-controlled Chile Telephone Co.

"If all that was involved was petitioning your government," asked subcommittee chairman Frank Church (D-Idaho), "why did you seek out the CIA?" Church noted that Broe, who met with Geneen several weeks before the Chilean election, was in charge of CIA clandestine operations for Latin America.

Geneen also testified, in the final day of hearings on the ITT-Chile affair, that a later ITT offer to the government of up to \$1 million was intended for "socially constructive projects" in Chile. He said that he hoped the U.S. would come up with a plan to offer Allende technical aid for some other quid pro quo in return for fair compensation for expropriated American business interests.

ITT is claiming \$97 million from the federally subsidized Overseas Private Investment Corp. as a result of Allende's

takeover of the phone company in 1971.

Church, Sen. Stuart Symington (D-Mo.) and other subcommittee members criticized the government insurance plan. Calling ITT's earnings of \$450 million last year "a pretty good profit," Symington said, "I don't see why the taxpayer has to put up this kind of money if in one case things go wrong."

Symington and Sen. J. William

Fulbright (D-Ark.) asked Geneen how much ITT paid in federal income taxes on its profit. Geneen called an estimate of \$2 million "too low" but said he didn't recall the correct figure and would have to supply it to the subcommittee latter.

Symington charged that big multinational firms like ITT posed a threat to the sovereignty of small countries and were a major factor in increasing anti-Americanism abroad.

3 APR 1973

# Church to Seek CIA Donor Ban

By JERIMIAH O'LEARY

Star-News Staff Writer

Chairman Frank Church, D-Idaho, of the Senate multinational corporations subcommittee plans to introduce legislation that would make it a federal crime for a business organization to contribute money to finance operations of the Central Intelligence Agency.

Church announced this intent at the close yesterday of two weeks of hearings into the machinations of ITT Corp. with CIA and other government agencies in the internal affairs of Chile. The hearings produced testimony that ITT and CIA approached each other at different times in the Chilean election period of 1970 with suggestions for affecting the outcome of the election and the Chilean economy.

But Church indicated that the subcommittee would not pursue his threat to send the transcript of the hearings to the Justice Department on suspicion of perjury. Church announced last week that he believed "someone is lying" when testimony of ITT executives appeared to conflict with that of U.S. government witnesses and other ITT officials. Church said the inconsistencies now seem to be due to lapses of time or memory, or a failure to communicate among those involved in the sensational ITT documents on Chile.

"I feel the wider the distance between big business and the CIA the better for all concerned," Church declared. "Legislation to accomplish this may be one of the better outgrowths of these hearings. We cannot have this incestuous relationship between the CIA and U.S. companies operating abroad."

Harold S. Geneen, ITT board chairman, occupied the witness chair for most of yesterday as the subcommittee wound up the hearings. Geneen's testimony was that there were two distinct phases

in 1970: One in the summer when Marxist Salvador Allende was campaigning on a platform of expropriation that ITT believed would cost the corporation its \$153 million investment; the other during the autumn when Allende looked to be a sure winner requiring only confirmation by the Chilean Congress.

Geneen accepted testimony of CIA agent William V. Broe that Geneen had offered a substantial sum for any government plan that would block Allende, although he said he did not recall doing it. But Geneen said that money offer "died" when Broe rejected the offer in July 1970.

"The next offer was entirely separate and had a dual purpose," Geneen testified. "The offer of \$1 million was openly presented to two departments of government (The National Security Council and the State Department). It was to make Allende more receptive to us and other companies if he was elected or to help the Chileans arrive at a democratic coalition solution. The \$1 million figure was only a measurement of our willingness to join any government program."

Sen. Clifford Case, R-N.J., said, "If I heard someone was offering \$1 million to defeat me or make me vote better, I'd take that as a provocation."

"That depends on the second part of the plan," Geneen said.

"I don't think I'd get over the first plan," Case replied.

## SHAKE-UP IN U.S.

## New roles for CIA

WASHINGTON, Monday (AAP). — The Central Intelligence Agency apparently is planning to curtail some of its old activities, notably clandestine military operations, and undertake some new ones, such as action against political terrorism and the international drug traffic, the New York Times reported.

Since Mr James R. Schlesinger took over as director on February 2 more than 1,000 employees of the CIA have received dismissal notices.

Mr Schlesinger also has authority from President Nixon to reduce manpower as well in the military intelligence services.

During the past two years, personnel in the intelligence establishment as a whole has been reduced by about 20% according to reliable estimates.

In 1971 there were more than 150,000 people in the military and diplomatic intelligence services and the CIA. There are now fewer than 125,000 according to the estimates, and perhaps no more than 115,000.

The man mainly responsible for drafting the President's memorandum on reducing duplication of functions and improving efficiency was Mr Schlesinger and he has now been given the authority to put it into effect.

Apparently Mr Schlesinger is expected to make the Federal bureaucracy more responsive to the Administration.

This objective has led to charges from some old hands at the CIA that the agency has been "politicised" by the Nixon Administration.

Mr Schlesinger met this charge, when his CIA appointment was up for confirmation in the Senate, by assuring the Senate armed services committee that he believed absolutely in maintaining the integrity and independence of intelligence estimates.

People who know President Nixon's attitude say he wants his intelligence information straight even when it is unpalatable.

There are...

tendency to cut back on CIA paramilitary operations, such as the abortive Bay of Pigs invasion of Cuba in 1961 and the clandestine war still being waged in Laos, operations that have sometimes brought the agency as much censure as praise.

Operations on a smaller scale, sometimes called "dirty tricks", reflect the atmosphere of the 1950s, the cold war period, and seem to be regarded now as obsolescent.

Also with the reduction of international tensions

and suspicions, which is the aim of President Nixon's dealings with the Soviet Union and China, the intelligence community may not need to pay so much attention to the military capabilities of the major powers.

However, there may be new tasks for the intelligence community, in an era of negotiation, such as helping to verify nuclear disarmament treaties.

Other new problems for the intelligence agencies include the narcotics traffic and political terrorism.



## SPECIAL TRANSLATION

GDR WEEKLY COMMENTS ON NEW CIA DIRECTOR

Article by Dr Julius Mader; East Berlin, Volksarmee, German,  
No 11, March 1973, p 6 7

.4 April 1973



GDR WEEKLY COMMENTS ON NEW CIA DIRECTOR

[Article by Dr Julius Mader; East Berlin, Volksarmee, German, No 11, March 1973, p 6 7

As of December the 220,000 U.S. snoops, spies, and saboteurs have a new boss -- 44-year-old Dr James Rodney Schlesinger. President Nixon had several reasons for appointing this man at precisely this time to the very influential position of CIA director: Schlesinger and Nixon both belong to the reactionary Republican Party.

Wall Street Agent

As a former professor, Schlesinger is a member of the exclusive American Economic Society and for many years has maintained close contacts with the millionaires of the military-industrial complex through the American Financial Society. Schlesinger is a prominent Wall Street agent, whom Nixon in 1969 appointed deputy director of the Office of the Budget, the state monopoly financial control center in Washington. <sup>In</sup> ~~Since~~ 1971 Schlesinger <sup>became</sup> ~~was~~ president <sup>[sic]</sup> of the primarily militarily-programed Atomic Energy Commission.

Santa Monica Planner of Massacres

Schlesinger is not inexperienced in intelligence work. After 1963 he served for about 6 years as a staff member, i.e., "director for strategic studies" of the Rand Corporation in Santa Monica, California. The Rand Corporation serves as a "think tank" for aggressive air force projects.

Here Schlesinger was involved in the completion of studies such as "The Increased Efficiency of Area Bombing" and "The Escalation of the Use of Atomic Weapons." It is not surprising that Nixon appointed Schlesinger CIA director on the very same day that he ordered a massive bombing attack on the DRV.

Specialist in Subversion

With the appointment of this unscrupulous person Nixon has undoubtedly fortified his position regarding a presidential dictatorship. With the help of the CIA, whose sources will of course be kept secret and uncontrolled, Nixon plans to implement the global strategy of U.S. imperialism. Schlesinger is to assist him in various ways. As a strategist of the U.S. Air Force, Schlesinger represents the reactionary military clique in the Pentagon, which is constantly brandishing its sword and playing world policeman. As a militant anti-communist, Schlesinger was charged with the task of strengthening NATO. He has also been told to direct the antisocialist activities of NATO intelligence services, which were expanded in 1972 with no less than 20 billion marks, and to spy on all NATO countries to assess their reliability.

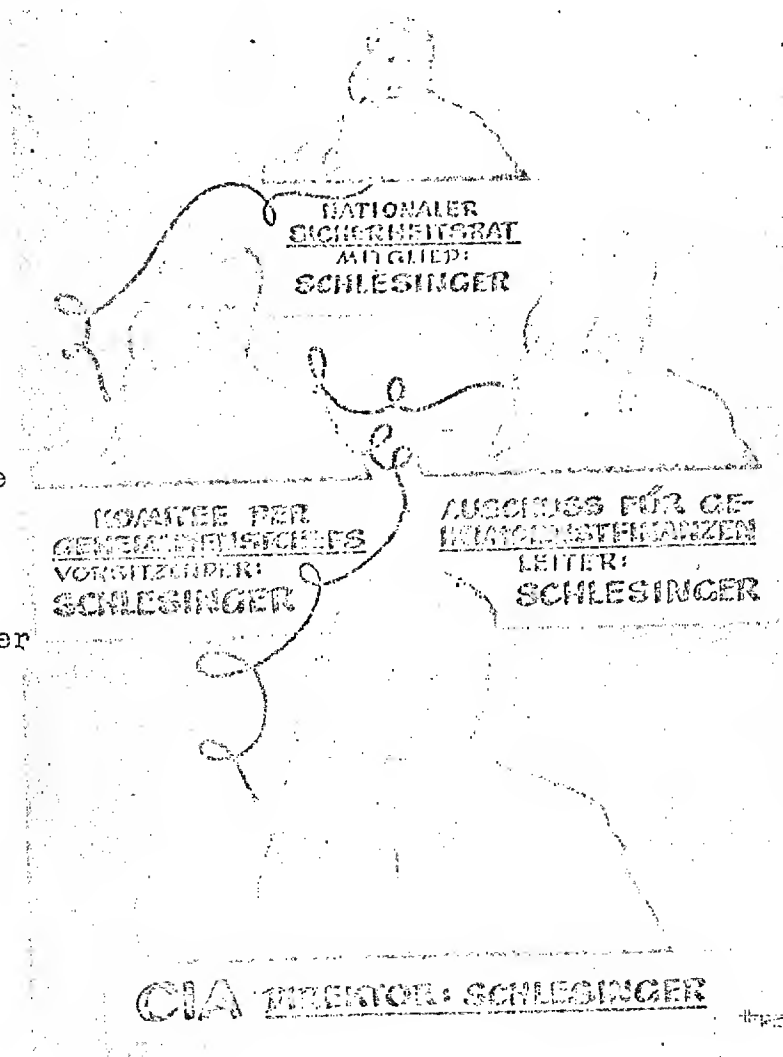
As a former economics professor and budget expert, Schlesinger is to lead his CIA in the merciless economic war declared by the United States against all competitors and support the economic expansion of the capitalist world market.

As a successful manager of the U.S. financial oligarchy, Schlesinger is to insure the increased cooperation of all U.S. civil and military intelligence apparatuses under his control in antisocialist and antidemocratic subversion. His army of agents still is under orders to conduct world-wide ideological diversion, war-inducing espionage, and dangerous sabotage. His agents are to create unrest, stage coups, and thwart U.S. domestic popular opposition. The CIA assault troops are prepared at any hour of the day or night severely to disrupt political détente for the benefit of U.S. profiteers.

#### At Many Controls

With this general directive and Army Intelligence Service ~~Service~~ General Walters as deputy director, J.R. Schlesinger has begun his international disruptive activities. Now he is Nixon's "Superman" in many positions of control (see sketch) of U.S. state monopoly capitalism: in the National Security Council, as chief of heads of all U.S. intelligence agencies, and manager of the intelligence service budget, which in the United States amounts to 8 billion dollars annually, including espionage activities in outer space. However, the real international balance of power will see to it that Nixon's new "man with a dagger under his cloak" does not leave the ranks of the losers.

National Security Council  
Member:  
Schlesinger



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Chiefs of  
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Schlesinger

Committee for  
Intelligence  
Service Finances  
Director:  
Schlesinger

# THE SECRET TEAM

The story behind today's  
headlines...and tomorrow's.

THE CIA AND  
ITS ALLIES IN  
CONTROL OF  
THE UNITED STATES  
AND THE WORLD

by Col. L. Fletcher Prouty,  
U.S. Air Force, Retired

Six weeks before publication, Jack Anderson broke the news on how the CIA tried to get its hands on this book. A revealing book about the "data coordination" agency's key people who unseat governments, "hit and run" in communist areas, do government dirty work, and are truly untouchable. Written by a former liaison officer between the CIA and the Pentagon. A terrifying book? Yes. A necessary book? Absolutely.

"One of the most important books ever written on the CIA. Fletcher Prouty deftly reveals how the cults of secretism and James Bondism are undermining American democracy." —DEREK SHEARER, contributing editor, *Ramparts*

"Should blow the roof off the CIA's headquarters building. It reveals more of the CIA's history, its clandestine operations and adroit cover-up tactics than any previously published book on the subject.

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**PROGRAM:**

CBS MORNING NEWS

**DATE:**

APRIL 2, 1973

**STATION OR NETWORK:**

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**TIME:**

7:00 AM, EST

COLONEL FLETCHER PROUTY INTERVIEWED

JOHN HART: Before he retired, Air Force Col. Fletcher Prouty spent a lot of his military career as what is called the focal point officer between the Department of Defense and the Central Intelligence Agency. He's written a book which is highly critical of what he calls The Secret Team, which by the way is the title of the book. Since there are frequent references in the book to information in the Pentagon Papers, CBS News correspondent Fred Graham, who's been covering the Daniel Ellsberg trial, has joined me for the interview.

Col. Prouty, I'd like to ask you first, what is the secret team?

COL. FLETCHER PROUTY: You know, there are quite a few people who write about the CIA, and Mr. Dulles has written about CIA; Lyman Kirkpatrick has written about CIA. The secret team really is the CIA and other parts of the government. The secret team includes, for instance, the participation of the Defense Department, of the White House, offices such as today we have under Dr. Kissinger. I think it's important to point out that in the operational aspects of CIA work, the participation of a major part of the government, not just CIA is an important consideration.

HART: Well, the secret team's part in such things as the assassination of Ngo Dinh Diem, that sort of thing, the ITT-CIA involvement--alleged involvement--in the election in Chile are pretty well documented. Can you tell us anything about what you think may be going on right now?

PROUTY: You mean current operations?

HART: That's right, yes.

PROUTY: Actually, most of the things that I knew in current operations ended with my retirement about ten years ago.

- 2 -

Obviously, I've kept in touch with some of the people that are in this business, but some of that might be in the area of conjecture. I think one of the most important parts is the role of Jim McCord and Howard Hunt in the Watergate case--CIA people, career men, McCord in his area, FBI man--through my friendship with a lawyer, Bernard Fensterwald, we get Mr. McCord moving into a different area in the Watergate thing. This is, you might say, a civilian application of a CIA or secret team type operation. I think it's an example, currently--not of course directed by CIA at this present time, but it's an example of the kind of thing that's done by people under the cloak of secrecy, under security wraps, and in a way that the American people have no way in the world to really know what's going on.

FRED GRAHAM: Colonel, could I ask you to elaborate just a minute about--there's been some conjecture in the press about Bernard Fensterwald's role. He is the new lawyer for James McCord, and it's been pointed out that he was--he is a lifelong and at one time very active Democrat, and perhaps one of his motives is to bring out into the open more about the Watergate and the White House's alleged involvement in it. You said you were partially responsible for Mr. Fensterwald being involved here. Can you elaborate as to whether or not that might be true?

PROUTY: Well, I've known him for quite a long time. We've discussed this Watergate affair--

HART: You mean Mr. Fensterwald?

PROUTY: Mr. Fensterwald, and it just happens that in my book, I mention an operation in which Jim McCord did quite a bit of work with me and with the Defense Department. As a result, I had the feeling all along that McCord was just not somebody's little wiretapper or debugging man. He's a pro, he's a master at certain things. Allen Dulles introduced him to me. I have a pretty high regard for his capability. It's much greater, I would say, than the general concept. So I talked to Fensterwald about this, and I believe that the motivation on the part of Bud Fensterwald is purely professional and that he sees that there's much more to be done in the case. I think that's why McCord is working with him now as someone who's willing to get into this case and get to the bottom of things.

HART: You seem to know James McCord fairly well.

PROUTY: I did at one time. As in the--in one chapter in the book, we write about an airplane that belonged to Mr. Dulles himself, it was his private plane. It was shot down over Russia and a nine-man crew of CIA-Air Force people were captured.

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Mr. Dulles called me to his home that evening and then after a conference with Dick (Vissal?) and others, introduced me to McCord, and said this man is the best man that we have, he's an FBI man, trained in their ways, and trained with the CIA both, he's an expert. So, yes, I've known him since 1959.

GRAHAM: Colonel, the incident of the plane being shot down--was that the plane that Jack Downey was on?

PROUTY: No, Downey was shot down as part of the Korean War. The one I'm talking about was shot down near Baku.

GRAHAM: Well, may I ask you then about Jack Downey's? Of course, Mr. Downey came out from a Chinese prison earlier this month--last month--and he said at that time, without any apparent qualms, he said, I told the Chinese all I knew. Now, how much did that compromise the CIA's activities, to have a CIA operative tell the Chinese all he knew?

PROUTY: In the context of what Downey knew during the Korean War and as a young man just out of jail, operating with drop teams over China, I would say that what he knew was good for maybe a week or two weeks in a security sense, but what he knew in terms of the real CIA relationships with the government I think weren't going to hurt things very much. I don't think Downey did anything to hurt the government.

GRAHAM: So you don't think Downey did anything reprehensible in telling the Chinese all he knew?

PROUTY: No, one thing that these people in deep security learn is that there are other people involved, other Chinese, let's say, or maybe Koreans, or Americans close into these lines. Now, we try to protect them, of course, try to protect them for participating in this kind of activity. In that sense you have to guard knowledge.

GRAHAM: Let me change the subject. In your book an important point--an allegation that you made, is that the CIA engineered the disclosure of the Pentagon Papers through Daniel Ellsberg, in order to throw favorable light on the CIA's intelligence efforts, because the Pentagon Papers do point out that the CIA was quite often right in its warnings that we were being drawn into a quagmire, but Colonel, I was flabbergasted to see your allegation there, in two points, straight out, that Daniel Ellsberg was a CIA agent. What's your source for that statement?

PROUTY: Well, you know, Dan Ellsberg called me the other day, more or less reminding me that he had never worked



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for CIA. A lot of people who work in the peripheral areas-- that's really why I talk in terms of a secret team, are not necessarily paid by the CIA, you might say, or even sometimes don't realize that they are working in support of CIA activities. I wouldn't say either of these applied, but I do know that Ellsberg worked with Lansdale in Viet Nam; I worked with Lansdale for many, many years. I don't think Lansdale really, other than being an Air Force man, ever did much work that wasn't involved with CIA. He was one of their most --

HART: You're talking about retired Major General Edward Lansdale.

PROUTY: --Lansdale, right, and I think the affiliation is pretty strong, but the key thing about--going back to your earlier point--the key thing about these papers, the thing that should interest the American people, because they seem to be put forth as a document of the history of Viet Nam, which they are not--these papers are 3,000 pages of narrative, 4,000 documents that they have been culled out. They're not the complete history of even the activities that they portray. Somebody got in there in took out quite a few of those. I used to have files-- file cabinet after file cabinet of it in the JCS, of CIA papers; it was my business to take care of those papers. A lot of them that I knew aren't in these Pentagon Papers.

GRAHAM: Well, Colonel, just for the record, though, I called Daniel Ellsberg on the telephone yesterday out in California, and he flatly denies ever having been a CIA agent. Now, you say in your book flatly he was. Now, which is true?

PROUTY: I'd have to talk with him and find out how much he knows about really what he was doing.

GRAHAM: He told me that he denied to you that he was a CIA man and you accepted that.

PROUTY: Yes, he told me that--well, he told me that; I didn't answer him. He said that he wasn't a CIA agent, and I think that's pretty simple, itself. Whether he's a CIA employee or whether he's working as a member of the secret team, which is a very close thing--

HART: Well, secret team can cover almost anything, by your description.

PROUTY: Ah yes, anything in the area of the CIA operational activities, activities that develop from secret intelligence, and are generally in support of clandestine areas, whether

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clandestine in operational matters, or clandestine in deep intelligence.

HART: Colonel Prouty, it was never clear to me what intelligence agency you were working for.

PROUTY: I was a member of the United States Air Force, working for many years in the Office of Secretary of Defense, or in the Office of the Joint Chiefs of Staff.

HART: Well the question arose in my mind, as I read your book, which certainly casts some aspersions upon the CIA, many of them, as to what rival agency, whether it was an intelligence agency, or perhaps a military agency, would benefit from this characterization of the CIA, which comes out very clean as you point out in the Pentagon Papers. Is this a kind of a defense answer?

PROUTY: No, that's a good way to put it. I think, perhaps, the best answer is something I read in the news letter--

HART: No, no--excuse me--I mean, is your book an answer by the Department of Defense?

PROUTY: I think to clarify this, John, the story is that the CIA likes to cover itself as an intelligence organization, and the CIA works very hard to present on one hand that it is an intelligence operation, whereas, 80 or 90 per cent of its activities are operational. The Pentagon Papers show that. They talk almost nothing about their operations. They usually put them in terms of military operations. They talk primarily of the CIA's intelligence, and at the same time, Mr. Dulles would be delivering an NIE, put out by Sherman Cantor--

HART: And that's no intelligence.

PROUTY: Yes. And then he would, at the same time, in the same period of time, be establishing an operation which was almost 100 per cent counter to the NIE, or completely different from that NIE. The Federation of American Scientists, for example, last month, published--

HART: Very quickly, Colonel, we're running out of time.

PROUTY: They say that the CIA's best cover is its reputation as an intelligence agency.

HART: Colonel, I have to interrupt you. We've enjoyed having you, and we'd like to go on, but we've just run out of time. Colonel Fletcher Prouty, thank you very much.

FOR PUBLIC AFFAIRS STAFF

PROGRAM	CBS Morning News	STATION	WTOP TV CBS Network
DATE	April 2, 1973	7:00 A.M.	CITY Washington, D.C.

AN INTERVIEW WITH COLONEL FLETCHER PROUTY

JOHN HART: Before he retired, Air Force Colonel Fletcher Prouty spent a lot of his military career as what is called the "Focal Point Officer" between the Department of Defense and the Central Intelligence Agency.

He's written a book which is highly critical of what he calls "The Secret Team" which, by the way, is the title of the book. Since there are frequent references in the book to information in the Pentagon Papers, CBS News correspondent Fred Graham, who's been covering the Daniel Ellsberg trial, has joined me for the interview.

Colonel Prouty, I'd like to ask you first what is the secret team?

COLONEL FLETCHER PROUTY: Well, you know, there are quite a few people who write about the CIA. Mr. Dulles has written about the CIA. Lyman Kirkpatrick has written about the CIA.

The secret team really is the CIA and other parts of the government. The secret team includes the -- for instance, the participation of the Defense Department, of the White House -- of offices such as today we have under Dr. Kissinger. I think it's important to point out that in the operational aspects of CIA work the participation of a major part of the government, not just the CIA, is an important consideration.

HART: Well, the secret team's part in such things as the assassination of [name unintelligible] Jim, that sort of thing, the ITT and the CIA involvement -- alleged involvement -- in the elections of Chile are pretty well documented. Can you tell us anything about what you think may be going on right now?

COLONEL PROUTY: You mean current operations?

HART: That's right. Yes.

COLONEL PROUTY: Well act -- actually most of the things that I knew in current operations ended with my retirement about 10 years ago.

Obviously I've kept in touch with some of the people that are in this business, but some of that might be in the area of conjecture.

I think one of the most important parts is the role of Jim McCord and Howard Hunt in the Watergate case -- CIA people, career men. McCord in his area as an FBI man. Through my friendship with a lawyer, Bernard Fensterwahl, we got Mr. McCord moving into a different area in the Watergate thing. This is, you might say, a civilian application of a CI -- CIA or secret team type operation. I think it's an example, currently, not of course directed by CIA at this present time, but it's an example of the kind of thing that's done by people under a cloak of secrecy, under security wraps, and in -- in a way that the American people have no way in the world to -- to really know what's going on.

FRED GRAHAM: Colonel, could I ask you to elaborate just a minute about the -- there's been some conjecture in the press about Bernard Fensterwahl's role. He is the new lawyer for James McCord, and it has been pointed out that he was -- he is a lifelong and one time very active Democrat, and perhaps one of his motives is to bring out into the open more about the Watergate and the White House's alleged involvement in it.

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COLONEL PROUTY: Well I've known him for quite a long time. We've discussed this Watergate affair...

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COLONEL PROUTY: Mr. Fensterwahl. And it just happens that in my book I mention an operation in which Jim McCord did quite a bit of work with me and with the Defense Department. As a result, I had the feeling all along that McCord is not just somebody's little wiretapper, debugging man, but he's a pro. He's a master at certain things.

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[Laughter]

So, yes, I've known him since 1959.

GRAHAM: Colonel, the incident of the plane being shot down, was that the plane that Jack Downey was on?

COLONEL PROUTY: No. Downey was shot down in -- as a part of the Korean war. The one I'm talking about was shot down near Barcoo (?).

GRAHAM: May I ask you, then, about Jack Downey?

COLONEL PROUTY: Of course.

GRAHAM: Mr. Downey came from Chinese prison earlier this month -- last month -- and he said at that time, without any apparent qualms, he said "I told the Chinese all I knew." Now, how much did that compromise the CIA's activities to have a CIA operative tell the Chinese all he knew?

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But, Colonel, I was flabbergasted to see your -- your allegation there in two points straight out that Daniel Ellsberg was a CIA agent. What's your source for that statement?

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And I think the affiliation is pretty strong. But the key thing about -- going back to your earlier point -- the key thing about these papers, the thing that should interest the American people because they seem to be put forth as a document of the history of Vietnam which they are not. These papers are 3,000 pages of narrative, 4,000 documents, but they have been culled out. They're not the complete history of even the activities that they portray. Somebody got in there and took out quite a few of those.

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HART: National Intelligence Estimate?

COLONEL PROUTY: Yes.

Then he would at the same time, in the same period of time, be establishing an operation which was almost a hundred percent counter to the N.I.E. or completely different from that N.I.E.

The Federation of American Scientists, for example, last month published a...

HART: Very quickly, Colonel, we're running out of time.

COLONEL PROUTY: ...and they say that the CIA's best cover is its -- is its reputation as an intelligence agency.

HART: Colonel, I'll have to interrupt you. We've enjoyed having you and would like to go on, but we've just run out of time.

Colonel Feltcher Prouty. Thank you very much, Fred Graham.



Washington, D. C., -Friday, April 6, 1973

**CIA RETIREMENTS**—The Central Intelligence Agency, whose basic retirement law includes a numerical ceiling on the number of employees who retire, has asked the House Armed Services Committee to boost the ceiling from 800 to 2,100 for the period, 1969-74.

It says it has a large number of employees who want to retire but can't because of the limitation.

## Shift Sought Of CIA Role To Pentagon

By Michael Getler

Washington Post Staff Writer

One of the military's top-ranking intelligence officers has called for a reassertion of the military's dominant role over civilians in the critical business of estimating national security threats to the United States.

The case for giving this responsibility to the Pentagon—rather than the Central Intelligence Agency (CIA) and other civilian-dominated intelligence agencies—is laid out in a highly unusual article appearing in the April issue of Army magazine.

The article is by Army Maj. Gen. Daniel O. Graham, currently deputy director for estimates in the Pentagon's Defense Intelligence Agency (DIA).

Graham is scheduled to move over to the CIA on May 1 to join the staff of its new director, James R. Schlesinger.

Thus, the appearance of Graham's article in public could indicate that at least part of his new job at the CIA will be to help bring about the return of a major portion of the highly important intelligence estimating job to the Pentagon. The estimates of military threats are a major factor in planning the Pentagon's annual budget and in the course of U.S. foreign policy.

While Graham's article reflects his personal judgment, U.S. defense officials say the appearance of the article at this time "was not accidental," implying that it had an official okay.

Graham's pending transfer to the CIA has prompted concern among some civilian intelligence officials. They fear that the critical annual intelligence estimates on such things as Soviet missile devel-

See ARMY, A7, Col. 1

# Transfer of CIA Role Sought

## ARMY, From A1

opments, for example, might take on an even harder line.

Graham argues, however, that the job of judging and describing the various military threats the United States might face properly belongs to the military. And, he states, it was the military's own fault—through "a series of bad over-estimates later dubbed the homber gap, missile gap and megaton gap"—that military credibility was shaken and the principal job of figuring out what the Russians and others were up to gradually was won over by the CIA and other agencies.

But in the past three years, he says, the new Defense Intelligence Agency has "come a long way since the missile gap."

He argues that the quality of military analysis has now improved considerably and that most, though not all, of the military men who use intelligence have learned not to bend it for their own self-interest or force intelligence analysts to do that.

"To sum up," he writes, "I think that the time is ripe for the military profession to reassert its traditional role in the function of describing military threats to national security."

In a key statement that may foreshadow some reduction in the CIA's estimating role in favor of the Pentagon, Graham writes:

"While there will always be a legitimate reason for independent judgments from outside the Department of Defense on issues of critical importance to national decision-makers, there is no longer a need, in my judgment, to duplicate the Defense Intelligence Agency's efforts in other agencies."

Throughout the article, the two-star general is sharply critical of the military's past history of usually describing the threat to U.S. security in the worst or scariest terms. Not only did it produce scepticism in government, forcing officials to turn to other intelligence agencies, but it actually hurt the military in other ways, he writes.

case estimates can be used to squelch military programs just as quickly as to support them." In other words, he argues, overestimating the Soviet Union's missile capabilities can prematurely kill off U.S. projects by leading officials to discount the estimates entirely.

The inflated intelligence estimates also raise problems for the strategic arms limitations talks where, he says, "the very real possibility" exists of trading off actual U.S. capabilities against those of

an enemy that exist only on paper.

Graham also criticizes the technique of assessing only Soviet capabilities rather than intentions as well.

"For example," he says, "since World War II the Soviets have never, to our knowledge, deployed forces or fielded hardware as fast as their total capability permitted. To estimate that they would do so with regard to some weapon system... in the future would make little sense."

HS/HC-910

Victor Zorza

# Putting the Military in Charge of 'Intelligence'

An article by the Pentagon general newly appointed to curb the Central Intelligence Agency throws a strong light at the murky fog which envelops the CIA.

The article by Maj. Gen. Daniel Graham, which appears in the current issues of the Army magazine, strongly urges the transfer of some of the CIA's most important functions to the DIA, the Pentagon's Defense Intelligence Agency. The fact that Graham has been appointed chairman of the inter-agency committee which will ride herd on both the CIA and DIA suggests that the case he presented in his article has been accepted by the White House.

What is at issue is not simply a bureaucratic conflict between intelligence agencies or men ambitious for promotion, nor even a squabble about who is to control the \$6 billion spent annually by the "intelligence community," although all these elements are present in the dispute. The real issue behind the struggle over the reorganization of the CIA concerns the whole direction of U.S. defense policy and, therefore, foreign policy.

On the face of it, Graham provides what looks like the first insider's account of the perversion of the intelligence process by the military in pur-

suit of bigger defense appropriations. He admits that military intelligence has often supplied the exaggerated estimates of the Soviet threat demanded by the defense chiefs—"the bigger the better." And when military intelligence failed to "maximize enemy threats" as instructed, it was denounced by the brasshats for "wishful thinking."

"More often than not," he says, "military intelligence people came to

**"It is this distrust of the DIA, which has caused successive Presidents to turn to the CIA, that Graham has set out to cure."**

heel under such criticism and stumped hard for the worst-case view." Although he believes that this attitude is waning now, "there are still some old hands" in military intelligence who are so used to yielding to their Pentagon superiors "that they automatically produce threat estimates designed to please, or at least certain not to offend." Military planners who profess

to "coordinate" an estimate produced by military intelligence are quite capable, he says, of reducing it "to the lowest common denominator mush," and to "inoffensive pap."

The purpose of this remarkable confession which Graham makes on behalf of his colleagues, if not on his own—for he implies that his own estimates were always right—is not far to seek. He says that by "abusing the intelligence process" the military professionals have "produced the best arguments for taking the responsibility for threat description out of military hands," and have caused the decision-makers to turn elsewhere for "objective" assessments.

It is this distrust of the DIA, which has caused successive Presidents to turn to the CIA, that Graham has set out to cure. The burden of his argument is that the military can and will now make the right decisions—although he does not make it clear why it should be trusted to mend its ways.

The decisions about the defense budget, and about the nature of U.S. forces and weapons development, were always supposed to be made in response to intelligence estimates of the Soviet "threat." But more often than not they resulted from a mix of budget-

ary restraints, intelligence estimates, pressures by the military-industrial complex pork-barrel interests and many others.

Now a basic change, which is as yet barely perceptible, is taking place under the surface. The U.S.-Soviet agreements on the limitation of strategic arms, and Mr. Nixon's grand design for a "generation of peace," have brought entirely new factors into military policy. The major weapons programs such as the B-1 bomber and the Trident submarine-missile systems which are now pending are far more costly than any in the past. U.S. decisions on them will depend to a considerable extent on Mr. Nixon's estimate of the effect they have on the strategic balance, and on arms reduction bargaining.

Therefore, if the Pentagon is to have a real influence on the making of defense policy, it must wrest control of the intelligence estimates back from the CIA. Even if Graham's appointment means that his argument about the control of intelligence has been accepted by the White House, the struggle is by no means over.

The issues involved in this conflict, which will have a major bearing on strategic arms limitation and disarmament, are so momentous that the next battle will be joined almost before the last is over.

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# The Evening Star

and

## The Washington News

CROSBY N. BOYD, *Chairman of the Board*

JOHN H. KAUFFMANN, *President*

NEWBOLD NOYES, *Editor*

A-4 \*

SATURDAY, April 7, 1973

MILTON VIORST

## Bit Munch, Even for the CIA

It apparently is true that, under the U.S. Code, it is not illegal for a group of corporate executives to sit in a Washington office and conspire, or solicit federal officials to join a conspiracy, to overthrow the government of Chile.

But the United States has a legal commitment under the Charter of the Organization of American States not to interfere in the internal affairs of Latin American countries — and it is clear that the CIA, fired up by ITT, was trying to do exactly that to keep Salvador Allende out of the Chilean presidency.

It might be said, of course, that in the end no substantive action was taken. But the testimony given to Sen. Frank Church's Foreign Relations subcommittee by CIA and ITT officials makes clear that the reason nothing was done was that no one could devise a plan that they agreed was likely to work.

Clearly, the United States did not desist from interference in the Chilean election as a matter of policy. In fact, the policy was quite the contrary. What was lacking, as it turned out, was a feasible means.

Having become rather cynical folks, we Americans might say to ourselves that this was just another — ho-ho — of those lovable CIA capers, the kind The New Yorker prints funny cartoons about, the kind that got us the Watergate

But William Broe, the CIA operative who was at the center of this Katzenjammer episode, testified that he was acting on the authority of the CIA director, Richard Helms. And Helms has told the subcommittee privately that he never acted on policy matters without clear White House instructions.

So what we are talking about here are plans drawn up with the knowledge and consent of the National Security Council, at the least. And though we have no direct information, it would be naive to think that the President didn't approve, too.

What makes this story more unsavory than it might be if all we were proposing was to save the Chileans from communism, which we once thought had a certain idealism to it, are the recurring themes of money and cronyism.

The man who got this project energized is John McCone, paragon of the American establishment and former head of CIA, who went to Henry Kissinger and to Helms. McCone still is carried as a consultant to the CIA.

Did he make his recommendation out of patriotism? Maybe, but it is hard to believe he was not influenced by his membership on the ITT board and his considerable holdings of ITT stock. In fact, he seems also to control large holdings in Anaconda Copper

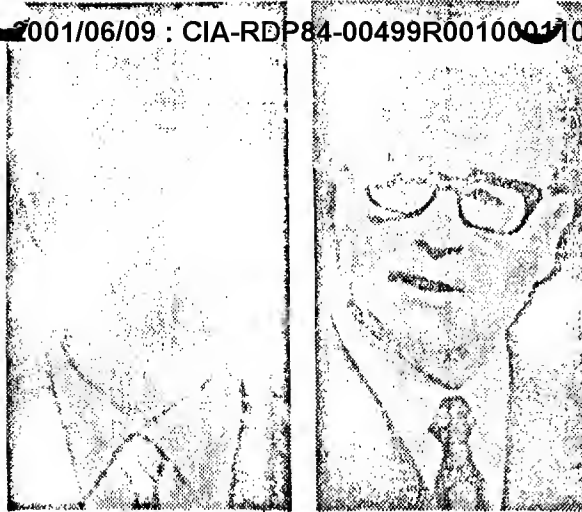
Who could possibly suspect the motives of such a distinguished establishmentarian? But, let it be said, that if it were anyone else, the ugly words "conflict of interest" — ethical if not legal — would certainly be spoken.

Indeed, what is so stunning here is that ITT offered the CIA a substantial sum of money — much as it offered the Republican party a huge donation when it had an antitrust prosecution pending at the Justice Department — to intercede to protect its property in Chile.

Does the AFL-CIO give money to the Labor Department to influence trade union regulations? Do the pharmaceutical manufacturers subsidize the FDA to get favorable decisions on drugs?

It seems to me that the fitting response of any self-respecting public official, when a corporation executive walks into his office waving \$1 million to pay for the overthrow of the government of a friendly country, would be, "Sir, get the hell out of here and don't come back."

If he answers by scheduling a meeting to discuss it further, then, whatever the outcome, he's playing the dirty game. And it's just this game that has made every small country in the world suspicious of us. Certainly, the newest revelations will, justifiably, intensify everywhere distrust of what we stand for



**EDUARDO FREI**  
... elected Chile chief

**SALVADOR ALLENDE**  
... defeated as Socialist

## *U.S. Helped Beat Allende in 1964*

By Laurence Stern  
Washington Post Staff Writer

Major intervention by the Central Intelligence Agency and the State Department helped to defeat Socialist Salvador Allende in the 1964 election for president of Chile, according to knowledgeable official sources.

American corporate and governmental involvement against Allende's successful candidacy in 1970 has been the controversial focus of a Senate Foreign Relations subcommittee investigation into the activities of U.S. multinational companies abroad.

But the previously undisclosed scale of American support for Christian Democrat Eduardo Frei against Allende six years earlier makes the events of 1970 seem "like a tea party," according to one former intelligence official deeply involved in the 1964 effort. Up to \$20 million in U.S. funds reportedly were involved, and as many as 100 U.S. personnel.

The story of the American campaign, early in the Johnson administration, to prevent the first Marxist government from coming to power by constitutional means in the Western Hemisphere was pieced together from the accounts of officials who participated in the actions and policies of that period.

Cold war theology lingered, and the shock of Fidel Castro's seizure of power in Cuba was still reverberating in Washington. "No more Fidels" was the guide-

See CIA, A12, Col. 1

A 12 Friday, April 6, 1973 THE WASHINGTON POST

# U.S. Helped Beat Allende

CIA, From A1

post of American foreign policy in Latin America under the Alliance for Progress. Washington's romantic zest for political engagement in the Third World had not yet been dimmed by the inconclusive agonies of the Vietnamese war.

"U.S. government intervention in Chile in 1964 was blatant and almost obscene," said one strategically placed intelligence officer at the time. "We were shipping people off right and left, mainly State Department but also CIA with all sorts of covers."

One of the key figures in the 1964 intervention was Cord Meyer Jr., the redoubtable Cold War liberal. He directed the CIA's covert programs to neutralize Communist influence in important opinion-molding sectors such as trade unions, farmer and peasant organizations, student activists and communication media.

At least one conduit for CIA money, the International Development Foundation, was employed in the 1964 campaign to subsidize Chilean peasant organizations, according to a former official who was responsible for monitoring assistance to Chile from the Agency for International Development.

One former member of the IDF board, who quit when he discovered it was financed by the CIA, said: "Some of us had suspected for a long time that the foundation was subsidized by the agency. Then it finally surfaced, and it was impossible to continue serving on it. Nonetheless, what they were doing was consonant with President Kennedy's policies. It was political development."

The foundation is still in existence, although its CIA funding was terminated. It now is financed by AID appropriations.

Covert financing was arranged for a newspaper friendly to the political interests of Christian Democrat Frei. "The layout was magnificent. The photographs were superb. It was a Madison Avenue product far above the standards of Chilean publications," recalled another State Department veteran of the campaign.

One former high-ranking diplomat said CIA operations at the time were by-passing the ambassador's office, despite the 1962 Kennedy letter issued by the late President after the Bay of Pigs debacle in Cuba. The letter designated ambassadors as the primary authority for all U.S. operations within their countries.

"I remember discovering one operation within my last week of service in Chile that I didn't know about. The boys in the back room told me it was 'deep cover' and I told them: 'You guys were supposed to tell me everything,'" the former diplomat reminisced.

As the 1964 election campaign unfolded in Chile, the American intelligence and diplomatic establishments were divided from within over whether to support Frei or a more conservative candidate, Sen. Julio Duran.

CIA's traditional line organization, centered in the Western Hemisphere division and working through the traditional station chief structure, favored Duran initially. So did then Ambassador Charles Cole and the bulk of top State Department opinion. The remaining Kennedy administration policymakers, on the other

hand, leaned toward Frei and the "democratic left" coalition he represented. So, reportedly, did the CIA's Cord Meyer.

"For a while, we were at war among ourselves on the question of who to support," recalled a participant in those events.

Duran dropped from consideration when he lost an important by-election to the Communists, and gradually the entire thrust of American support went to Frei.

"The State Department maintained a facade of neutrality and proclaimed it from time to time," according to one source who played an important Washington role in inter-American policy at the time of the election.

"Individual officers — an economic counselor or a political counselor — would look for opportunities. And where it was a question of passing money, forming a newspaper or community development program, the operational people would do the work."

"AID found itself suddenly overstaffed, looking around for peasant groups or projects for slum dwellers," he recalled. "Once you established a policy of building support among peasant groups, government workers and trade unions, the strategies fell into place."

A former U.S. ambassador to Chile has privately estimated that the far-flung covert program in Frei's behalf cost about \$20 million. In contrast, the figure that emerged in Senate hearings as the amount ITT was willing to spend in 1970 to defeat Allende was \$1 million.

The number of "special personnel" dispatched at various stages of the campaign to Chile from Washington and other posts was calculated by one key Latin American policy maker at the time as being in the range of 100.

AID funds alone were substantially increased for the year of the crucial election. The first program loan in Latin America, a \$40 million general economic development grant, was approved to buoy the Chilean economy as the election approached.

"We did not want to have a condition of vast unemployment as Chile was going into the election," recalled the former AID official.

In addition to U.S. government assistance, Christian Democratic Party money was being funneled into Chile in Frei's behalf by the German and Italian Christian Democratic parties.

Among the important channels were the German Bishops Fund and the Adenauer Foundation, which were managed by a Belgian Jesuit priest, Roger Vekemans, who has long been a controversial figure in Chile and other Latin American countries.

Knowledgeable Americans believe that the European funds had no connection with the CIA programs. But Vekemans was a natural target of criticism by Frei's opponents in the superheated atmosphere of the time.

# FRESH LIGHT ON U.S. ROLE IN CHILE

Approved For Release 2001/06/09 : CIA-RDP84-00499R001000110001-3

**N**OW COMING OUT of a congressional hearing are new disclosures on a 2½-year-old story of international mystery concerning this question:

Did a big multinational corporation, based in the U. S., attempt through the Central Intelligence Agency to block the election in 1970 of Marxist Salvador Allende as President of Chile?

The corporation is one of the world's largest—International Telephone & Telegraph, with connections extending into 80 countries.

The CIA's role was detailed in testimony, before a special Senate Foreign Relations subcommittee, that offered rare public glimpses into the agency's undercover operations.

**Fear of nationalization.** ITT's big stake in Chile is a telephone company, known as Chilteleco, which reportedly represents an investment of more than 150 million dollars. The company, as ITT had feared, has been nationalized by the Allende Government.

Main witnesses before the subcommittee, headed by Senator Frank Church (Dem.), of Idaho, have been a number of the huge corporation's officials—and William V. Broe, a CIA agent who said he was in charge of "clandestine services" for the agency in the Western Hemisphere in 1970.

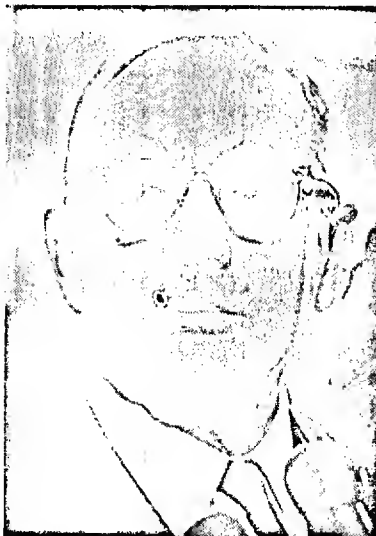
Their testimony largely related to events beginning about midsummer of 1970, when Mr. Allende's chances of winning the Chilean Presidency were being assessed. In the September 4 voting, he gained a plurality. On October 24, the Chilean Congress named him the country's chief executive.

**Election fund.** The testimony was often conflicting. ITT officials acknowledged that the corporation had been willing to put up a large sum of money to be sent to Chile. But they differed on its intended use.

John A. McCone, an ITT director and a former Director of the CIA, said 1 million dollars was offered "for the purpose of bringing about a coalition against Allende."

Another witness said the money was meant for a housing program. A third testified it would have gone for "any program the U. S. might formulate."

**Funds refused.** The CIA's Broe said he was selected by Richard Helms, then CIA Director, as contact man with ITT. Regarding a meeting with Harold S.



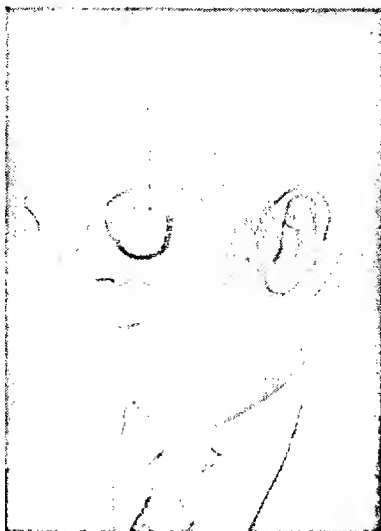
—UPI Photo

ITT's Geneen. Witnesses said he tried to influence vote in Chile.

Geneen, ITT board chairman, Mr. Broe testified:

"I told him we could not absorb the funds and serve as a funding channel. I also told him that the United States Government was not supporting any candidate in the Chilean election."

The CIA came up with this suggestion, however, in the period preceding the final selection of Mr. Allende: that U. S.-owned firms work for "economic



—Wide World Photo

CIA's Broe. He told about suggestions to disrupt Chilean economy.

disruption" in Chile to try to influence the vote.

Mr. Broe said that, at a meeting with ITT vice president Edward Gerrity in New York, he explored "the feasibility of possible actions by the companies to apply some economic pressure on Chile."

Such suggested action, Mr. Broe agreed at the Senate hearings, included withdrawal of technical help and delays in granting credit and in shipping parts.

Regarding the CIA's attitude toward such steps, Mr. Broe testified:

"These were ideas . . . passed up to me by people who work for me. I went upstairs, I talked to the people upstairs, and I was sent out to check out if they made any sense at all."

But Mr. Broe said he got the idea that Mr. Gerrity "did not think it would work" and no action was taken.

Charles Meyer, former Assistant Secretary of State for Inter-American Affairs, told the Senators that the CIA was only exploring options in talks with ITT, and that over-all U. S. policy of nonintervention in Chile's affairs was maintained throughout.

**Wider investigation.** What did all this add up to? The Senate's look at ITT is only part of a broader investigation into the activities of multinational corporations, expected to last several years.

But testimony at the hearings could focus the subcommittee's attention more strongly on the part such corporations might play in trying to sway foreign governments and U. S. foreign policy.

ITT is one of the largest that will come under Senate scrutiny. With sales of 8.6 billion dollars in 1972, it was the ninth biggest industrial company in the U. S. Its operations in 80 countries employ 428,000 persons.

ITT subsidiaries in the U. S. bear such well-known names as Wonder bread, Morton frozen foods, Sheraton Hotels, Scotts lawn products, the Hartford Fire Insurance Company.

**Claim for losses.** With the first published reports of ITT activity in the Chilean election, the Allende Government broke off talks about compensating ITT for the nationalized telephone company. ITT has filed a claim for 92 million dollars with the Overseas Private Investment Corporation, a federal agency that insures investors abroad against several forms of damage, including expropriation. The claim of ITT is under consideration by the OPIC.

Further testimony by ITT Chairman Geneen was scheduled for early April. Still to come was a review by the subcommittee to determine if legal action should be taken against any witnesses.

Said Senator Church, after two weeks of hearings:

"It's obvious somebody is lying."



# Church To Seek CIA Donor Ban

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By JERIMIAH O'LEARY  
Star-News Staff Writer

Chairman Frank Church, D-Idaho, of the Senate multinational corporations subcommittee plans to introduce legislation that would make it a federal crime for a business organization to contribute money to finance operations of the Central Intelligence Agency.

Church announced this intent at the close yesterday of two weeks of hearings into the machinations of ITT Corp. with CIA and other government agencies in the internal affairs of Chile. The hearings produced testimony that ITT and CIA approached each other at different times in the Chilean election period of 1970 with suggestions for affecting the outcome of the election and the Chilean economy.

But Church indicated that the subcommittee would not pursue his threat to send the transcript of the hearings to the Justice Department on suspicion of perjury. Church announced last week that he believed "someone is lying" when testimony of ITT executives appeared to conflict with that of U.S. government witnesses and other ITT officials. Church said the inconsistencies now seem to be due to lapses of time or memory, or a failure to communicate among those involved in the sensational ITT documents on Chile.

"I feel the wider the distance between big business and the CIA the better for all concerned," Church declared. "Legislation to accomplish this may be one of the better outgrowths of these hearings. We cannot have this incestuous relationship between the CIA and U.S. companies operating abroad."

Harold S. Geneen, ITT board chairman, occupied the witness chair for most of yesterday as the subcommittee wound up the hearings. Geneen's testimony was that there were two distinct phases to ITT's thinking on Chile in 1970: One in the summer when Marxist Salvador Allende was campaigning on a platform of expropriation that ITT believed would cost the corporation its \$153 million investment; the other during the autumn when Allende looked to be a sure winner requiring only confirmation by the Chilean Congress.

Geneen accepted testimony of CIA agent William V. Broe that Geneen had offered a substantial sum for any government plan that would block Allende, although he said he did not recall doing it. But Geneen said that money offer "died" when Broe rejected the offer in July 1970.

"The next offer was entirely separate and had a dual purpose," Geneen testified. "The offer of \$1 million was openly presented to two departments of government (The National Security Council and the State Department). It was to make Allende more receptive to us and other companies if he was elected or to help the Chileans arrive at a democratic coalition solution. The \$1 million figure was only a measurement of our willingness to join any government program."

Sen. Clifford Case, R-N.J., said, "If I heard someone was offering \$1 million to defeat me or make me vote better, I'd take that as a provocation."

"That depends on the second part of the plan," Geneen said.

"I don't think I'd get over

THE EVENING STAR and DAILY NEWS  
Washington, D. C., Tuesday, April 3, 1973

HS/HC-950

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# The Worse Things Get, the Better

IN the heady days of gunboat diplomacy and banana republics, U.S. companies like United Fruit and Jersey Standard often intervened in the internal politics of South American countries. Sometimes, to help promote their foreign interests, the companies could count on the diplomatic and military leverage of the U.S. Government. Those days are long past. But executives of the International Telephone and Telegraph Corp., the largest U.S. conglomerate, apparently yearn to carry on in the not-so-grand old tradition. The testimony in two weeks of hearings by the Senate Subcommittee on Multinational Corporations, which showed how ITT and the Central Intelligence Agency conferred on ways to block the election of Marxist Salvador Allende in Chile 2½ years ago, provided enough juicy material to keep any Yankee-go-home propagandist busy for years.

Realizing that the company was

(see) Broe's testimony, added to what ITT executives told the subcommittee a week ago, unraveled the following chronology of collaboration.

**JULY 16, 1970.** Broe met with ITT Chairman Harold Geneen in Washington. The meeting had been proposed to Richard Helms, then the CIA chief, by John McCone, an ITT director and former head of the CIA. Broe said that Geneen told him that ITT was willing to put up a "substantial fund" to support a conservative candidate for President in the elections in Chile to be held Sept. 4. According to Broe, at that time the CIA declined the proposal because the U.S. was not supporting a candidate in the Chilean election.

**SEPT. 4.** Allende won a 36% plurality but still had to face a run-off vote in the Chilean Congress Oct. 24.

**SEPT. 9-10.** Geneen told McCone at an ITT board meeting that he was willing to put up \$1,000,000 for the U.S. Gov-

ernment to use in Chile. A few days later, McCone made offers to both Henry Kissinger and Helms of "up to \$1,000,000 to support any Government plan for the purpose of bringing about a coalition of the opposition to Allende." McCone did not receive an answer.

**SEPT. 29.** Broe then made what amounted to a counterproposal to ITT Senior Vice President Edward Gerrity Jr. Broe said that he discussed with Gerrity "the feasibility of possible actions by U.S. companies designed to create or accelerate economic instability in Chile." Broe mentioned such measures as the cancellation of credit lines to Chile by American banks, a slowdown in delivery of machinery spare parts, action to force savings and loan institutions to close down, and the withdrawal of technical assistance. Broe gave Gerrity a list of American companies that might help in such a plan, "providing the economic course was feasible." Gerrity's response was not made public this week.

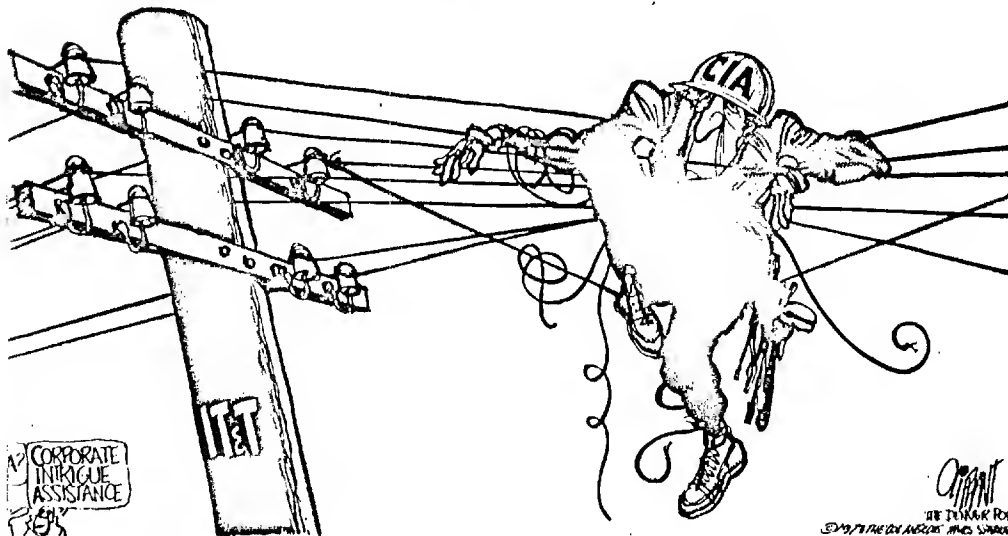
**OCT. 24.** Allende was elected by the Chilean Congress. Later he nationalized many U.S. companies, including ITT's Chilean telephone subsidiary.

During the hearings, several witnesses gave conflicting versions of the purpose of the million-dollar offer. Contrary to McCone's testimony that the money was to be used for an anti-Allende coalition, Gerrity maintained that it was for constructive programs, such as housing and social development, "to make Allende happy about the American presence." Later, Charles A. Meyer, then Assistant Secretary of State for Inter-American Affairs, repeatedly emphasized that the U.S. policy toward Chile during this period was one of strict non-intervention—a statement that seemed to conflict with Broe's testimony about CIA suggestions to create economic disturbances in Chile.

"It is obvious," said Subcommittee Chairman Frank Church, "that somebody is lying." Members of the subcommittee will review the transcripts of the testimony to decide whether to send them to the Justice Department for possible charges of perjury.

For either private companies or the U.S. Government to intervene in a free election is, as Church said, "very improper." Beyond the question of propriety, the troubling aspect of the ITT affair is that it will fan suspicions in foreign countries that multinational corporations commonly use their financial powers to influence foreign political affairs directly. To date, there is little public evidence that other companies have in recent years tried to meddle as ITT sought to do.

Senator Charles Percy noted during the hearings that corporations have an obligation to protect their assets and the interests of their shareholders. But, he said, such protection must not improperly involve the corporation in the internal affairs of the host country or contradict U.S. foreign policy. In Chile, most of the U.S. corporations—except ITT—have followed that standard, even at a loss. Ford, for instance, simply pulled out of Chile, wrote off a \$16 million loss and settled for a \$900,000 payment from the federally financed Overseas Private Investment Corp. (OPIC), which insures multinational corporations against expropriation. ITT now stands to lose whatever compensation Allende had promised to pay; and unless the company can disprove the mounting evidence that its loss resulted from its attempt to interfere in Chilean politics, it may also lose its \$92.5 million claim with the OPIC. To knock down that evidence will be Harold Geneen's task in this week.



THE SERVICE DIVISION

about to have its \$150 million investment in Chile's telephone system nationalized, ITT executives worked overtime to devise ways of stopping Allende and tried to donate, through CIA operatives, large amounts of money for an anti-Allende coalition. The company management even considered the old insurgent Communist Party strategy against troubled capitalist states: foment economic chaos on the principle that the worse things get, the better. Though ITT and CIA officials deny that any of these plans were ever carried out, such schemes ran against the stated U.S. policy of non-intervention in Chile and, in light of the CIA's involvement, raise doubts as to how firm the policy was.

In an unprecedented move, the subcommittee heard and released the closed-session testimony of the CIA's chief of clandestine operations in the Western Hemisphere, William Broe. (It was the first time that a CIA agent has testified before Congress.)

2 APR 1973

PEOPLE OF THE WEEK

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## SHAKING UP THE CIA — “NIXON'S BUREAUCRACY TAMER”

**L**ATEST GOVERNMENT operation to feel the effects of a shake-up in its established bureaucracy is the supersecret Central Intelligence Agency.

The man behind what promises to be a sweeping reorganization is the CIA's new Director, James R. Schlesinger, who has had this tag pinned on him inside Government circles: “President Nixon's bureaucracy tamer.”

**“Tough guy.”** Mr. Schlesinger came to the CIA post from the Chairmanship of the Atomic Energy Commission, where he was also looked on as a “tough guy.” Says one Government source:

“At the AEC he turned things upside down at first. Everyone there was up tight. But, in the end, his overhaul improved morale at AEC tremendously.

“Now he has started out the same way at CIA—and it looks as if he will get the same results.”

As with most activities of the CIA, the Schlesinger-ordered shake-up of personnel is being conducted pretty much under wraps.

No one in authority is saying—if anyone really knows—how many of the estimated 15,000 on the payroll will be squeezed out before it is all over.

Estimates of a 10 per cent cut have been reported. Knowledgeable sources say that is too high—but it is acknowledged that the reduction now under way is the biggest ever at the CIA, which has had others in the past.

**Improvements ahead.** The overhaul is across the board—young and old, people from all areas of the agency.

Every personnel folder is being read. The four main directorates in the agency—administration, plans, science and intelligence—are each handling the mechanics of review in their divisions.

Some tasks are being eliminated as outmoded, no longer needed in the changing intelligence world of today.

But, at the same time, the word is out at CIA that the shake-up is designed to improve American intelligence gathering—not scuttle it. A slogan that began to be heard with Mr. Schlesinger's takeover was: “Intelligence is our first line of defense.”

After the initial shock of the reductions, some CIA officials began to take second looks—and decided that what they saw was not all bad. Said one: “Who-

ever said the agency would be strengthened by getting rid of fat and deadwood—and didn't mind as long as it didn't include him—was right.”

**The critics' view.** Not everyone, of course, felt that way. Fears were expressed that the cuts will result in reducing the effectiveness of the CIA, and that intelligence work as a career will be less of an attraction.

Said one such critic:

“Whoever succeeds Schlesinger will have the job of building the organization back up to be able to do its job.”

While some outsiders have been named to high posts—notably Generals Daniel Graham of the Army and Lew Allen of the Air Force—high-ranking intelligence professionals are still in top spots, and a number are being promoted.

For example, the veteran William E. Colby, who had been high in the hierarchy as executive director, has been moved up to deputy director for plans.

**A hard worker.** Mr. Schlesinger, 44, was named to the CIA post by Mr. Nixon in December, replacing Richard Helms, who was appointed Ambassador to Iran.

The new Director is described as a hard worker, usually on the job from 7 a.m. to 7 p.m. But, an official says, he does not demand that kind of day from those who work for him. Instead, this source explains:

“He makes it clear that what he wants is results, not time-clock punchers. As long as the work is done in time, he doesn't bother too much about the hours spent on it.”

Mr. Schlesinger was a *summa cum laude* graduate of Harvard, and got his Ph.D. degree there in 1956.

After a year of travel in Europe and parts of Africa and Asia, he went to the University of Virginia to teach economics for eight years.

Publication of a book, “The Political Economy of National Security,” brought

him an offer of a job from the Rand Corporation, where he eventually became director of strategic studies.

Mr. Schlesinger's first post in the Nixon Administration, beginning in 1969, was assistant director of the Office of Management and Budget. In 1971 he rose to the Chairmanship of the AEC.

**Changing atomic policy.** Mr. Schlesinger ordered a drastic reorganization of the AEC, resulting in a cutback of its high-level staff. But that wasn't his only impact on the agency.

One new job he created was that of



Mr. Schlesinger, as new chief, is presiding over CIA reorganization and biggest-ever cuts in its payroll.

assistant general manager for environmental and safety affairs. And he is credited with making the AEC more conscious of the interests of conservationists in its planning for new uses of atomic energy.

**“Very fast study.”** Mr. Schlesinger came to the CIA without background in pure intelligence work, although he has had much experience in the wide field of world strategy.

One official describes him this way: “He is a very fast study who does his homework.”

One bit of homework many associates believe he learned long ago: How to transform a bureaucracy into a well-tuned machine. That apparently was the job President Nixon felt was needed at the

## C.I.A. Apparently Plans Cut in Some Covert Roles

By CLIFTON DANIEL

Special to The New York Times

WASHINGTON, April 1—Under its new director the Central Intelligence Agency is apparently planning to curtail some of its old activities, notably clandestine military operations, and undertake some new ones. These include action against political terrorism and the international drug traffic.

Since James R. Schlesinger took over as director on Feb. 2 more than 1,000 employees of the C.I.A. have received dismissal notices. Mr. Schlesinger also has authority from President Nixon to apply what one official calls "a great deal of persuasive influence" to reduce manpower as well in the military intelligence services. These are the Defense Intelligence Agency and the National Security Agency, which Mr. Schlesinger oversees but does not operate.

In the last two years the intelligence establishment as a whole has been reduced by something like 25 per cent, according to reliable estimates.

In 1971 there were more than 150,000 people in the mil-

tary and diplomatic intelligence services and the C.I.A. There are now fewer than 125,000, according to the estimates—perhaps no more than 115,000. Since November, 1971, the various agencies have been under orders in a memorandum from the President to reduce duplication of facilities and functions and make more economical use of their resources, especially in collecting information.

Intelligence information these days is gathered more by machines than by men—by satellites and computers rather than by spies meeting informers in bars and alleys.

Each intelligence agency seems to want its own machines and some systems have reportedly been made deliberately incompatible so that each agency keeps its own.

For that reason and others it is said here that President Nixon's 1971 memorandum has as yet had no measurable effect on the operations of the

Continued on Page 7, Column 1

NEW YORK TIMES

Monday, 2 Apr 1973

HS/HC-950

## C.I.A. MAY CURB SOME ACTIVITIES

Continued From Page 1, Col. 7

intelligence community.

The man principally responsible for drafting the President's memorandum was Mr. Schlesinger and he has now been given the authority to put it into effect. He got the job because as assistant director of the Office of Management and Budget and later as chairman of the Atomic Energy Commission he earned a reputation for efficiency and effectiveness.

Apparently Mr. Schlesinger is expected to do in the intelligence community what other recent Presidential appointees have been instructed to do in more open departments—that is, to make the Federal bureaucracy more responsive to the Administration.

This objective has led to charges from some old hands at the C.I.A. that the agency is being "politicized" by the Nixon Administration. Mr. Schlesinger met this charge, when his C.I.A. appointment was up for confirmation in the Senate, by assuring the Senate Armed Services Committee that he believed absolutely in maintaining the integrity and independence of intelligence estimates.

People who know President Nixon's attitude say he wants his intelligence information straight even when it is unpalatable. However, the White House does want to see less money spent on intelligence, and a better intelligence product provided.

By a better product the White House apparently means among other things a product that answers the questions that senior policy makers are interested in and gives the answers in brief and readable form.

"You can't drop a 90-page C.I.A. analysis on a high official's desk and say 'You've got to read this,'" one such official said recently.

### That Discouraging Thud

"The thud it makes when it falls on your desk is enough to discourage you from opening it," another said.

Apparently C.I.A. memorandums under the Schlesinger regime will number more like three pages than 90 and will have a telephone number to call if the recipient wants further information.

While seeking greater economy and efficiency the intelligence community is reassessing its tasks.

There appears to be a tendency to cut back on C.I.A. paramilitary operations — operations such as the abortive Bay of Pigs invasion of Cuba in 1961 and the clandestine war still being waged in Laos, operations that have sometimes brought the agency as much censure as praise.

In his second Inaugural Address, President Nixon said, "The time has passed when America will make every other nation's conflict our own, or make every other nation's future our responsibility, or presume to tell the people of other nations how to manage their own affairs."

That statement seemed to imply less intervention in other people's affairs, whether by intelligence agencies or otherwise.

In any event, operations such as the one in Laos, where the C.I.A. has long given support and leadership to the anti-Communist military forces, are on such a scale that they cannot be conducted secretly, and thus may not be thought suitable for an undercover agency.

### 'Dirty Tricks' Wane

Operations on a smaller scale—sometimes called "dirty tricks"—reflect the atmosphere of the nineteen-fifties, the cold war period, and seem to be regarded now as obsolescent.

Also with the reduction of international tensions and suspicions, which is the aim of President Nixon's dealings with the Soviet Union and China, the intelligence community may not need to pay so much attention to the military abilities of the major powers.

However, there may be new tasks for the intelligence community in an era of negotiation.

For example, the protocol to the Soviet-American agreement on the limitation of strategic offensive weapons provides in Article 12 that "for the purpose of providing assurance of compliance with provisions of this treaty, each party shall use national technical means of verification."

In plain language, that means that the Soviet Union and the United States may each use its own photographic satellites and other intelligence-collecting devices to see whether the other side is abiding by the treaty. This is the "open skies" policy proposed by President Dwight D. Eisenhower at the Geneva summit conference in 1955 and rejected at that time by the Russians.

There are also other new problems to attract the interest of the intelligence agencies. One is the narcotics traffic. Intelligence is a major ingredient in controlling it.

Another is political terrorism, a form of warfare that cannot be dealt with by ordinary diplomatic means or conventional military forces.

The interest of the C.I.A. in these problems does not mean that the agency will no longer have an arm that can perform paramilitary functions. It also does not mean that the C.I.A.—to use a term heard here—will not "invest" funds in the affairs of third countries on occasion.

2 Sunday, April 1, 1973 THE WASHINGTON POST

# ITT and CIA on Chile: A Semblance

By Laurence Stern

Washington Post Staff Writer

The most lurid of Marxist propaganda parables against the excesses of U.S. imperialism couldn't have been dotted with more heavily-larded caricature than the "T" saga in Chile, as it has unfolded the past two weeks in a Senate hearing room.

There was the giant American corporation conviving with the Central Intelligence Agency to subvert clandestine economic warfare in an elected left-wing government in Latin America.

There, also, was a senior figure of the American industrial elite, John A. McCone, serving as go-between for the CIA he once headed and International Telephone and Telegraph on whose board he sits.

There was, furthermore, the spectacle of ITT executives lobbying officials of the National Security Council, the top-secret policy arm of the White House through which the President directs American foreign operations.

The case has propelled ITT to the limelight as CIA's operational contact man with ITT a government official

with the most tantalizing job title in town, William V. Broe, chief of clandestine services, Western Hemisphere, of the CIA's Directorate of Plans.

The centerpiece of this intriguing jigsaw has been ITT itself, whose motto—"serving people and nations everywhere"—well describes its multinational and conglomerate scale of operations. ITT, the nation's eighth largest industrial corporation, functions as a global subgovernment in more than 70 countries. It reported \$8.5 billion in sales and revenues during 1972.

Starting with the modest base of the Virgin Islands telephone company at the beginning of the 1920s, ITT rapidly branched out around the world under the dynamic management of a Danish entrepreneur, Sosthenes Behn, who became a naturalized American citizen when the United States bought the Virgin Islands from Denmark in 1917.

## Corporate Involvement

By World War II, according to Justice Department records, a German subsidiary of ITT was an owner of the company that produced



JOHN McCONE

... interested in Chile



WILLIAM V. BROE

... pushed into limelight



HAROLD S. GENEEN

... painted into corner

the Luftwaffe's Focke-Wulf fighter while an American subsidiary was building the "Huff-Duff" U-boat detector for the U. S. Navy. After the war ITT collected several million dollars in damages from the U.S. Foreign Claims Settlement Commission for allied bombing damage to the Focke-Wulf plants, according to government records.

And so ITT's problems in Chile came against a back-

ground of broad corporate involvement in international relations.

Two weeks of public hearings by the Senate Foreign Relations Subcommittee on Multinational Corporations have provided a rare glimpse of the interrelationship between corporate interests and public policy in the conduct of U.S. foreign relations.

But it is by no means a picture of clear-cut collu-

sion. In fact, there was evidence of disarray in the administration to the assumption of power in September, 1970, of the elected Marxist government in the Western Hemisphere as the administration of Chilean President Salvador Allende was called.

The professed position of the Nixon administration toward Allende's election was one of strict neutrality, which was reiterated during

Assistant Secretary of State for Inter-American Affairs Charles Meyer and for Edward Korry.

Yet CIA operative Broe testified under oath that his "operational" contacts with ITT, which included agency-drafted and approved plans for sabotage of the Chilean economy, were carried out with the complete approval of his superiors.

#### Explore Options

His superior at the time was CIA Director Richard M. Helms, who reports to the National Security Council which in turn reports directly to the President through national security adviser Henry A. Kissinger.

It is inconceivable to those familiar with the tightly managed White House national security system that such a mission as Broe conducted with ITT officials in late September, 1970—before the Chilean congress met to ratify Allende's popular election—was without full NSC approval.

How did this square with the policy of neutrality to which both Korry and Meyer attested? Meyer suggested that there was no inconsistency. The government maintained the right, he said, to explore options.

Subcommittee members reacted with skeptical grumbles. Had ITT decided to carry out Broe's suggestions, Chairman Frank Church (D-Idaho) pointed out, the "option" would have become an operational policy. ITT, as it turned out, felt the plan was unworkable. As formulated by Broe and the agency, it would have been up to ITT to execute on its own.

The gist of the plan was for a group of American companies, under ITT prodding, to use their financial clout to accelerate—as Broe testified—"the deteriorating economic situation" in Chile. The objective was to turn wavering Christian Democratic congressmen away from Allende in final balloting.

In his conversations with ITT Vice President Edward Gerrity, Broe told the subcommittee, "it was understood that he was going to be doing it and CIA was not involved. It was ITT which was looking into the thing."

That testimony was crucial, for it may have illuminated the National Security Council decision in early September, 1970, for dealing

tions that might be carried out without the public sanction of the administration.

ITT was the chosen instrument because of the previous approaches of McCone and ITT Chairman Harold S. Gencen, prior to Allende's popular election.

ITT, as Broe testified, "was the only company that contacted the agency and expressed an interest in the current situation in Chile."

The administration may well have reacted with some trauma to Allende's popular election victory since, according to the testimony, CIA polls have inaccurately predicted the election of his opponent, Jorge Alessandri, candidate of the conservative National Party.

The CIA's rejection of Gencen's overtures the previously July for intervention in Chile could have resulted from the agency's misreading of Allende's election prospects. By its own testimony, Gencen's proffer of "a substantial fund" to finance an anti-Allende plan was unattractive to the CIA.

What the testimonial pattern suggests is that as political events crystallized in Chile, the CIA and ITT were pursuing increasingly congruent goals: further roiling Chile's already disrupted economy, trying to promote the prospects of Alessandri in the congressional election run off, ultimately seeking to block Allende's accession as president.

#### Kissinger Concern

ITT was pursuing its own corporate welfare in view of Allende's pre-election vows to nationalize basic industries, as well as the ITT-owned Chilean telephone company. The CIA was pursuing a softly stated mandate of the NSC to see what it could do to stave off the specter of a new Marxist administration in the politically volatile southern hemisphere.

Just how high the man-

istration can only be a subject of speculation. The Senate subcommittee does not believe it is possible that it can compel the testimony of Kissinger, the man who has all the answers.

But Kissinger, 12 days after Allende's popular election, is on record as having expressed serious concern over the impact of a Chilean Marxist government on surrounding countries.

In the case of ITT, the record suggests that Gencen, McCone and other corporate executives had an access to top administration officials that has created at least a strong semblance of influence over policy.

At the time it was pushing for intervention in Chile, ITT was campaigning actively in Washington against a pending antitrust action calling for it to divest itself of the \$2 billion Hartford Insurance Co.

ITT officials were, in some cases, dealing with the same administration men on the two separate matters. As it turned out, ITT won its fight on the Hartford case when antitrust chief Richard McLaren, now a federal judge, reversed himself and withdrew opposition to the merger.

Things may not end up so happily for ITT in the Chilean affair. Its claim upon the Overseas Private Investment Corp. (OPIC), a government agency, for \$92.5 million in confiscation losses is now in doubt.

Gencen's position in the company has not been totally enhanced by the revelations on Capitol Hill of the past few weeks.

ITT's chairman is due to testify on his dealings with the administration and CIA over the Chilean affair. His position, as a result of the testimony of McCone, Broe and ITT executives, is somewhat analogous to that of a man standing in a corner surrounded by wet paint.

TAB



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# Panel May Quiz Schlesinger

By OSWALD JOHNSTON  
Star-News Staff Writer

James R. Schlesinger, the new director of Central Intelligence, goes before a Congressional committee today in his first formal legislative appearance since reports began to circulate of a major shakeup at the CIA.

Schlesinger's testimony before the House Armed Services watchdog subcommittee on the Central Intelligence Agency will, as usual, be secret. But congressional sources are not hiding their expectations that questioning will focus on two reported aspects of an ongoing purge of CIA ranks:

- That the White House has ordered a concerted ideological attack on the supposedly liberal bias of the CIA's small but elite Office of National Estimates, which is nominally responsible for producing the worldwide intelligence assessments upon which President Nixon, Henry A. Kissinger and the National Security Council base policy decisions.
- That Schlesinger is simulta-

neously implementing a White House directive first handed down 16 months ago to streamline both budget and manpower resources in the nation's unwinding \$5 billion-a-year intelligence operation.

Ostensibly, the question before the subcommittee chairman, Lucien N. Nedzi, D-Mich., is whether Congress should raise from 800 to 2,100 the legal ceiling on the number of CIA employees who may claim retirement benefits and leave office after 20 years service.

But Nedzi left no doubt that Schlesinger will also be quizzed on the scope and motive of the intelligence agency purge. "Undoubtedly, questions will be asked about how many men are leaving — and why," Nedzi said in an interview yesterday.

Speculations aside, it is still not clear how far Schlesinger's new broom will sweep, and to what end.

Varying reports have the 15,000-man agency facing a cutback of from 1,500 to 1,800 employees. One report, which

CIA officials sought to minimize, said the agency eventually would be cleared of as many as 3,000 underachievers in annual installments of 1,000.

At the same time, some agency veterans close to outgoing Director Richard M. Helms, whose own departure a few months short of retirement age gave rise to speculation the White House was disenchanted with his performance, were reportedly asked to leave on only a few hours notice.

Sources close to the intelligence community are appalled by what one former CIA official termed the "peculiar brutality" of Schlesinger's house-cleaning, and apprehensive over what it may mean. But they are far from certain.

One view, expressed by a source of long experience in the intelligence community, sees a conscious effort to punish the CIA's intelligence assessors by cutting back their influence and enhancing that of the Pentagon's rival Defense Intelligence Agency.

In this view, the CIA purge



JAMES R. SCHLESINGER

now in progress was foreshadowed by the administration's bureaucratic assault earlier this year on the Arms Control and Disarmament Agency, which in quick succession lost one-third of its budget, 12 staff positions, most of its frontline veteran officials and much of its influence in the new rounds

## on Controversial CIA Shakeup

of strategic arms limitation talks with the Russians.

It is pointed out that the CIA estimators for years now have backed the longstanding disarmament argument that on-site inspection of Soviet missile facilities is not necessary to ensure that the Russians are living up to a disarmament agreement.

At the other extreme, one former CIA official dismissed the whole Schlesinger exercise as "a phony operation." So far, this source argued, there is no evidence that any really important changes are being made.

One indication this may be so is the fact that the newly appointed deputy director of plans—the man in charge of the CIA's worldwide clandestine "department of dirty tricks" operations—is William E. Colby, the former head of the American Pacification Program in South Vietnam.

Despite the CIA's good reputation from the Pentagon Papers as a gloomy but accurate forecaster of events in Indochina, it was Colby's side of

the agency's operations that in large part engineered the original U.S. involvement in Laos and South Vietnam during the early 1960's.

More generally, however, speculation is focused on the CIA's intelligence evaluation function, rather than on the operations side.

In the main, informed sources are resisting the suggestion that the White House would deliberately attack the agency's intelligence estimators simply because the reports they have produced were unwelcome.

"This is our last hope," one source said. "A body independent enough to say a policy is no good if that is what it believes."

At the same time, many intelligence experts concede that the Office of National Estimates is "old and tired," and out of touch with the needs of Kissinger and his National Security Council specialists.

These close observers of the intelligence scene note that the Office of National Estimates

consists of at most 30 senior officials in the agency. It remains an elite corps, so far untouched by the purge, and there are no immediate signs that its chairman, John Huzenga, is being asked to retire prematurely.

In the main, they see the shakeup as motivated more by efficiency than by ideology.

Helms, the former CIA director, received a mandate to streamline the intelligence community in November 1971, when Nixon announced a reorganization plan of which Schlesinger, then in the Budget Bureau, was the main author.

On the surface, the plan gave Helms sweeping authority over the whole intelligence community. But during his remaining year as director, Helms did virtually nothing on this mission, and his inaction is viewed as a key reason for his premature departure.

There are some signs Helms quietly resented this turn of events and felt he was never given the White House back-

ing he believed would be necessary to carry out the responsibility he was given.

It is an open secret that some 85 percent of the estimated \$4.5 billion to \$5 billion intelligence budget each year is under the direct control of the Pentagon. But Helms, it is pointed out by former intimates, was never given authority to go up against the Defense secretary.

Nevertheless, these sources scoff at speculation that the recent CIA recruitment of two highly regarded Pentagon intelligence analysts — Maj. Gen. Daniel O. Graham of the Army and Maj. Gen. Lew Allen of the Air Force — is a means of putting ideological pressure on the Office of National Estimates.

Graham and Allen, it is pointed out, have been named to purely managerial positions on an inter-agency Intelligence Resource Advisory Committee, a board set up in the Schlesinger-Nixon intelligence reorganization of 1971, but which rarely functioned.



THE EVENING STAR and DAILY NEWS  
Washington, D. C., Friday, March 30, 1973

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# CIA Sent 'Ideas' On Chile to ITT

By JEREMIAH O'LEARY  
Star-News Staff Writer

The Central Intelligence Agency has admitted, through the testimony of one of its agents to Senate investigators, that it generated and passed to ITT a series of ideas for disrupting the economy of Chile during the crucial Chilean election period in 1970.

William V. Broe, former chief of CIA clandestine services in the Western Hemisphere, told the Senate subcommittee on multinational corporations in testimony released yesterday:

"They were ideas staffed, they were passed up to me by people who work for me. I went upstairs (to his CIA superiors) and I was sent out to check if they made any sense at all."

Previous testimony by Broe revealed that he took the economic disruption ideas and a list of American firms in Chile to New York on Sept. 29, 1970 and presented them to ITT Senior Vice President Edward Gerrity. The purpose of doing this, Broe said, was to determine whether the ideas were feasible.

But Broe told the subcommittee headed by Sen. Frank Church, D-Idaho, that Gerrity was negative toward the proposals and said the ideas

"really did not make an aw-

committee released the second phase of Broe's testimony yesterday, it was unclear who had generated the plans and whether the New York meeting was a serious discussion of action that might be taken.

Included in the plans Broe suggested to the ITT executive were: that banks should delay or not renew credits; that companies drag their feet on spending, making deliveries or shipping spare parts; that pressure be created on savings and loan institutions so they would have to close and that all technical assistance be withdrawn from Chile.

Broe also testified about other meetings with ITT executives, including one ITT President Harold S. Geneen in Washington on July 16, 1970, at which he said Geneen offered a substantial but unspecified fund to support any U.S. government plan to defeat Marxist presidential candidate Salvador Allende. Broe's testimony was that Geneen said this money was to be used to back the campaign of conservative candidate Jorge Alessandri. Broe testified that he rejected the offer, just as Gerrity did not follow through with later CIA proposals when Allende finished first in the popular election and was on the verge of a runoff victory in the Chil-

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# ITT Aide Bares Plot To Sidetrack Allende

By JEFFREY ANTEVIL

Washington, March 20 (NEWS Bureau)—A vice president of International Telephone & Telegraph Corp. testified today that company president Harold S. Geneen met with a top government spy and got Central Intelligence Agency approval for measures aimed at trying to keep Marxist Salvador Allende from becoming president of Chile in 1970.

The ITT official, William R. Merriam, who headed the firm's Washington office, told skeptical senators on a Foreign Relations subcommittee that ITT had committed no "improper actions" and did not actually work with the CIA to keep Allende out of power.

Merriam said, however, that Geneen met shortly before the Chilean election with William V. Broe, the CIA's chief of Clandestine services for the Western Hemisphere, to discuss ITT's fears that Allende would nationalize its Chile Telephone Company if he became president. ITT later got Broe's approval of a list, submitted by two ITT officials in Latin America, of recommended steps to keep Allende from taking power, Merriam said.

## Met With Nixon Men

He also confirmed that he, Geneen and other ITT officials held a series of meetings in 1970 with top administration leaders, including Attorney General John Mitchell, Treasury Secretary John B. Connally and White House aides, John Ehrlichman, Peter Peterson and Charles Colson.

Presidential Press Secretary Ronald Ziegler refused to comment in detail on Merriam's statements, telling reporters only that "it is the President's view that there were no improprieties" by members of his staff.

Merriam was the first witness as the subcommittee, headed by Sen. Frank Church (D-Idaho), opened hearings on the influence of huge multinational cor-

porations on U.S. foreign policies and the world economy.

Merriam said he also sent Henry Kissinger, President Nixon's foreign policy adviser, a letter urging a cutoff in U.S. aid to Chile if Allende were elected. The Nixon administration subsequently took a number of actions against the Chilean leader on the economic and diplomatic fronts.

## Cut-Rate Fare Nixed by CAB

Washington, March 20 (UPI)

—In a move to prevent a trans-Atlantic air fare war, the Civil Aeronautics Board suspended today low-cost fares proposed by seven small foreign airlines.

The fares were to take effect April 1, but the CAB said the revenue yield from the fares would be too low as compared to fares filed by the two major transatlantic airlines — Trans-World and Pan American.

In today's action, the CAB rejected fare proposals filed by Air Afrique, El-Al, Finnair, Czechoslovakia Airlines, Aer Linte, Iberia, and Transportes Aereos Portugese.

Merriam said the recommendations in the memo submitted to Broe were not official ITT policy and that he had no idea what the CIA agent's approval signified.

"Incredible," sputtered Sen. Edmund S. Muskie (D-Maine).

"If these recommendations were not intended to obstruct Mr. Allende, what were they for?" Church demanded.

"You can read what your

# CIA \$400,000 Chile Fund Reported

By Laurence Stern  
Washington Post Staff Writer

Senate investigators sought to elaborate yesterday on a report that the Central Intelligence Agency was authorized to spend \$400,000 for covert propaganda action against Marxist presidential candidate Salvador Allende in Chile during the summer of 1970.

The existence of the fund was first broached by Jerome Levinson, counsel to the Senate Foreign Relations Subcommittee on Multinational Corporations, during the questioning of former Ambassador to Chile Edward Korry.

Korry confirmed that he knew a senior interdepartmental intelligence group of the National Security Council met to discuss the CIA's strategy toward Allende in late May or early June of 1970.

But he referred the subcommittee to CIA Director James R. Schlesinger on the question of whether the NSC policy group allocated \$400,000 for covert propaganda activities against Allende.

The National Security Council committee to which Levinson referred is the government's senior policy forum for covert intelligence operations, and functions under the direction of National Security Adviser Henry Kissinger.

"Anything to do with activities of the CIA, I am not going to reply to,"

Korry told Levinson. "It is the obligation of the CIA director to advise you."

Last week former CIA Director John A. McCone told the subcommittee he had been advised by Richard M. Helms,

the agency's director in 1970, that "a minimal effort" had been authorized in the Allende election "within the flexibility" of the CIA's budget.

McCone said Helms also told him the senior interdepartmental committee, known as the Forty Committee, had considered the matter and decided that nothing of a major nature should be done to block Allende's election.

The subcommittee is examining whether the International Telephone and Telegraph Corp. exercised improper influence in the Chilean presidential election to stave off nationalization of its Chilean telephone company subsidiary, and whether U.S. government agencies worked in collusion with ITT in an attempt to prevent Allende from assuming the presidency.

Korry, in an afternoon of testimonial sparring, declined to tell the subcommittee what instructions he had received from the State Department in the crucial period between Allende's popular election on Sept. 4, 1970, and his installation by the Chilean Congress the following Oct. 24.

"I have a moral conviction it is morally wrong to give you the details of privileged communication be-

tween an embassy and its government," the former ambassador told the subcommittee.

The question of Washington's instructions to Korry came in the con-

text of an ITT document in the subcommittee's possession—a copy of a cable from two executives of the firm on Sept. 17, 1970, from Santiago to ITT's New York headquarters.

The message said: "Late Tuesday night (Sept. 15) Ambassador Edward Korry finally received a message from the State Department giving him the green light to move in the name of President Nixon. The message gave him maximum authority to do all possible—short of a Dominican Republic-type action—to keep Allende from taking power."

Korry said the ITT cable was "erroneous" and that he had not received instructions to do all he could to stop Allende. But he persisted in refusing to tell his questioners what his instructions were.

The former ambassador, who served in Santiago from 1967 to 1971, acknowledged that he did personally favor a strategy to block Allende's election by Congress. This strategy, the "Alessandri Formula," was designed to pave the way for election of former Christian Democratic President Eduardo Frei.

Korry said he discussed the Alessandri Formula with representatives of American business in Chile who were concerned about expropriation under Allende. "But there was no concerted effort on their part to sell me or on my part to sell them," he testified. There was strong American corporate support for the plan until it became clear that it did not have enough support in the Chilean Congress.

The subcommittee announced that it will release the testimony of the CIA's former chief for Western Hemisphere clandestine operations, William V. Broe, today after it has been reviewed by agency director Schlesinger.

Broe testified for nearly 45 minutes during a closed session yesterday morning on his dealings with ITT board chairman Harold S. Geneen and other officials of the company in the Chilean affair. Geneen will be asked to give his version of those dealings when he testifies on Thursday.

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23 MAR 1973

## Ex-Envoy Says the C.I.A. Ordered Polls on Allende

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, March 27—The Central Intelligence Agency commissioned polls to determine the probable outcome of the presidential election in Chile in 1970, Edward M. Korry, former United States Ambassador to Chile, said today.

But Mr. Korry would not say, under questioning from a special Senate subcommittee, whether he also had known a reported decision by the agency to set aside \$400,000 for propaganda activities in Chile aimed at influencing the outcome of that election.

The winner was Dr. Salvador Allende Gossens, whom Mr. Korry said he had wanted defeated because he believed that Dr. Allende would carry out the Marxist platform on which he ran and would nationalize American-owned businesses in Chile.

### Question Raised by Lawyer

The question about a \$400,000 propaganda fund was raised by Jerome I. Levinson, chief counsel to the subcommittee on multinational corporations of the Senate Foreign Relations Committee.

Mr. Levinson did not name his source for the assertion that \$400,000 had been made available to influence the election.

Earlier in the day, however, the subcommittee had questioned, in a closed session, the former director of the Central Intelligence Agency's clandestine activities in Latin America, William V. Broe.

Mr. Broe's testimony is to be made public as soon as top agency officials have reviewed it for previously unpublished information that might disclose United States intelligence sources or methods.

### Results of Polls

According to the Korry testimony, the polls that the C.I.A. commissioned showed that Dr. Allende would win the election, which was a three-way race,

with about 40 per cent of the vote.

Mr. Korry said that he had challenged the validity of the polls because they were based on 1960 census statistics and he had felt that more up-to-date information would show less support for Dr. Allende.

The Chilean won 36 per cent of the popular vote and was later elected by the Chilean Congress under a regular procedure for deciding an election in which no candidate received a majority of the votes.

The decision to allocate \$400,000 for anti-Allende propaganda was made, according to Mr. Levinson, not just by the Central Intelligence Agency but also by the high-level inter-agency Government committee that oversees the agency's policy.

Mr. Levinson indicated that the money had been earmarked for use in Chile in late June or early July 1970; the popular election was held Sept. 4, 1970.

Mr. Korry took the position that he could not answer questions on the reported fund and on other matters he was asked about today.

### Declines to Answer

On matters involving the C.I.A., he said that the law provided that only the agency's director could disclose anything concerning its activities.

On questions about instructions he had received from the State Department, he said that if he answered he would be violating promises of confidentiality he had made when sworn as Ambassador.

29 MAR 1973

# CIA Aide Disputes ITT on Fund Offer

By Laurence Stern  
Washington Post Staff Writer

A high-ranking Central Intelligence Agency official has told Senate investigators that he was offered—and declined—a “substantial fund” by ITT board chairman Harold S. Gencen to block the election of Chilean President Salvador Allende in 1970.

In sworn testimony released yesterday, William V. Broe, former CIA chief of clandestine operations in the Western Hemisphere, also acknowledged that he discussed steps with ITT officials to accelerate economic instability in Chile at a crucial political period for Allende.

Broe's testimony, given to an investigating subcommittee Tuesday under an unprecedented arrangement, contradicted earlier assertions under oath by an ITT vice president that Gencen had made the money offer to finance housing and technical agricultural assistance in Chile.

Gencen is due to testify on his financial offer to Broe on Monday. Until then, Sen. Frank Church (D-Idaho) said yesterday, the investigators would not “pass judgment” on the possibility of perjury action in the ITT investigation.

Church is chairman of the Senate Foreign Relations Subcommittee on Multinational Corporations, which is conducting the inquiry. The panel questioned Broe in closed session Tuesday morning and submitted the transcript to the CIA for review. Church said it was unprecedented for an operating agent of the agency to give sworn testimony to a congressional investigating committee.

Broe testified that he went to the meeting with Gencen at the Sheraton Carlton Hotel on the night of July 16, 1970, under instructions from then CIA director Richard M. Helms, who was recently replaced by President Nixon and appointed Ambassador to Iran.

At the meeting, Broe testified, Gencen offered the substantial fund, which would be controlled and chan-

neled by the CIA — to support the candidacy of Jorge Alessandri, of the right-wing National Party, against Allende.

In declining the offer, Broe said, he told Gencen “we could not absorb the funds and serve as a funding channel. I also told him that the United States Government was not supporting any candidate in the Chilean election.”

The CIA official asserted that Gencen at no time suggested that the money would be contributed for housing or agricultural assistance. ITT's vice president for corporate relations, Edward Gerrity, testified last week that Gencen intended the money to be used for such purposes and not to influence the course of the election.

Under questioning by Foreign Relations Committee Chairman J. W. Fulbright (D-Ark.), Broe said ITT, not the CIA, took the initiative in attempting to intervene in the Chilean election for its “own corporate purposes.”

It was not American policy, Broe said, to influence the Chilean elections in 1970.

The CIA witness said Gencen told him that ITT and other American companies raised a political fund to influence the outcome of the 1964 Chilean election, when Christian Democrat Eduardo Frei came to power, but that John McCone, then the director, did not accept the money.

Broe's testimony indicated that the agency took a more cooperative attitude with ITT in subsequent meetings, following Allende's narrow popular plurality on Sept. 4, 1970, but before he was installed by a vote of the Chilean Congress the following month.

Again at the direction of Helms, Broe said, he met with Gerrity on Sept. 29 to explore with the ITT executive “how the deteriorating economic situation (in Chile) could be accelerated...”

Broe confirmed that he discussed with Gerrity such measures as inflating bank credits and deliveries of spare

parts, creating pressure on savings and loan institutions to close their doors, and withdrawing technical assistance.

The CIA's endorsement of this economic pressure, said Broe, was designed to discourage Christian Democratic congressmen from supporting Allende, a Marxist-Socialist, in the crucial congressional balloting on the presidency.

“There was a thesis,” said Broe, “that additional deterioration in the economic situation could influence a large number of Christian Democratic Congressmen who were planning to vote for Allende.”

He told the subcommittee that ITT executives were negative toward the plan because they felt it was unworkable. The maneuver, described in Chile as the “Alessandri Formula,” was looked upon favorably by then U.S. Ambassador Edward Korry and ITT, as well as by Allende's Chilean opposition, as a means of restoring Frei to the presidency by setting the stage for a new election.

It never came to pass.

Church said yesterday he thought it was “very improper” for any American corporation to offer a large sum of money to support a CIA intervention in an election. He said it was also “improper policy” for the U.S. government to enlist private corporations in the same objective.

In a meeting with newsmen, the Idaho Democrat said he could not clarify the apparent contradiction between Broe's declaration to Gencen that the CIA was not supporting a candidate in the election and Broe's subsequent endorsement of economic pressures designed to prevent Allende from taking office. Broe's testimony, he said, “would have to speak for itself.”

Sen. Clifford P. Case (R-N.J.) also observed that “the record to me is not clear.”

One possibility under consideration is that the policy of the U.S. government underwent change between Broe's first contact with Gencen and his subsequent meeting with Gerrity.

McCone testified last week that Helms had told him in the early summer of 1970 that a National Security Council interdepartmental group governing CIA covert operations had decided to take no action to thwart Allende's accession to power.

However, McCone, an ITT board member and CIA consultant,

approached national security adviser Henry Kissinger and Helms to convey Gencen's offer of aid to finance a U.S. government plan to block Allende.

On Sept. 16 Kissinger delivered a not-for-attribution press backgrounder in Chicago in which he said, “I don't think we should delude ourselves that an Allende takeover in Chile would not present massive problems for the United States and democratic forces and pro-U.S. forces in Latin America and indeed to the whole Western Hemisphere... So we are taking a close look at the situation. It is not one in which our capacity for influence is very great at this particular moment...”

An intensive lobbying program was conducted during mid-September by ITT officials with top administration officials for some form of intervention in Chile. Gencen's offer of financial aid for a CIA operation was rejected.

But on Sept. 29 Broe, acting with the full consent of his superiors, endorsed an economic program to frustrate Allende's candidacy in the Chilean Congress.

Broe testified that he also met with ITT's former Washington office director William Merriam on Sept. 22, a week prior to the Gerrity meeting, and gave his assent to ITT proposals for covert support to anti-Allende newspapers as well as the hiring of radio and television “propagandists” favoring other candidates.

“Mr. Merriam, without any discussion of those (proposals), said, ‘What do you think of the proposals’, and I said I think they are all right,” Broe testified. “Then there was no discussion.”

The anti-Allende press and television campaign was proposed by two ITT field operatives, Hal Hendrix and Robert Berrellez from Santiago. ITT officials testified that they never put the plan into operation.

The purpose of Church's inquiry is to determine whether ITT brought improper influence in Chile to affect the outcome of the 1970 election and the extent to which it had the active cooperation of the CIA. ITT and a number of other companies contended that their fears of an Allende administration were prompted by campaign pledges of the

Socialist candidate to nationalize basic industries, such as ITT's telephone subsidiary as well as American owned copper and bank holdings.

Allende's government contended that it was negotiating in good faith to compensate ITT for the telephone company until March 21, 1972, when columnist Jack Anderson published internal ITT documents suggesting that the corporation had actively engaged in plans to block the election of Allende.

On the day the Anderson papers were published, the Chilean Ambassador to the United States, Orlando Letelier, had just returned from Santiago with a counter-offer to ITT, according to Chilean government sources. After publication of the documents, Chile broke off its contacts with ITT.

At yesterday's hearing the Assistant Treasury Secretary for International Affairs, John M. Hennessy, said the Nixon administration cautioned international lending organizations against extending new lines of credit to an Allende government because of its shaky financial condition.

He acknowledged, however, that the administration had authorized a \$10 million loan to the Chilean military last year.

"That seems to me from an economic point of view entirely inconsistent," observed Case.

Replied Hennessy: "I would have to admit there is some inconsistency."

# C.I.A. Aide Says He Gave Anti-Allende Plan to I.T.T.

By E. LEEN SHANAHAN  
Special to The New York Times

WASHINGTON, March 28—An official of the Central Intelligence Agency has testified that in 1970 he proposed to the International Telephone and Telegraph Corporation a series of steps that it and other American companies might take to create enough economic instability in Chile to prevent the election of Dr. Salvador Allende Gossens as President.

The testimony came from William V. Broe, who was in charge of the Central Intelligence Agency's clandestine operations in Latin America in 1970. Mr. Broe, still a C.I.A. official, said that he had acted with the full knowledge of the man who at the time headed the agency, Richard Helms.

## 'Substantial Fund' Offered

Mr. Broe testified yesterday before a closed session of the subcommittee on multinational corporations of the Senate Foreign Relations Committee. Twenty-six pages of transcript were made public today. The subcommittee and the Central Intelligence Agency are still discussing the release of 18 more pages, but the subcommittee chairman, Senator Frank Church, Democrat of Idaho, said that he thought that the remaining pages were of relatively little importance.

Mr. Broe also said that Harold S. Gencen, chairman of the board of I.T.T., had initiated the first contacts between his company and the Central Intelligence Agency in the summer of 1970.

At that time, according to Mr. Broe, Mr. Gencen offered the C.I.A. "a substantial fund" to support the election of Jorge Alessandri Rodriguez, one of two relatively conservative candidates running against Dr. Allende, a Marxist who was the candidate of a Socialist-Communist coalition.

Mr. Broe said that he had turned down Mr. Gencen's offer, as I.T.T. officials testified earlier had been the case.

Mr. Broe also said that he told Mr. Gencen that the C.I.A. could not "serve as a funding channel" for I.T.T. and that "the United States Government

was not supporting any candidate in the Chilean election."

## A Different Position Later

About three and a half months later, however, Mr. Broe took a different position with his proposal to the company that steps be taken to create such adverse economic conditions in Chile that Dr. Allende might be defeated.

What took place between the Gencen-Broe conversation in July and Mr. Broe's conversation with Edward J. Gerrity, senior vice president of I.T.T., was not made completely clear by the transcript.

A major charge was that the first phase of the Chilean election had occurred by the time of the meeting with Mr. Gerrity. Dr. Allende in the popular vote on Sept. 4, 1973, had won a plurality but not a majority of the popular vote and the final decision lay with the Chilean Congress—which elected Dr. Allende President on Oct. 24.

The transcript of the testimony line does not show whether it was the increasing likelihood that Dr. Allende would be elected that had changed the apparent position of the C.I.A. or whether other forces had been at work. International Telephone and Telegraph Corporation officials had, in the meantime, been talking to the State Department and President Nixon's adviser on national security, Henry A. Kissinger. Properties belonging to I.T.T. were seized after Dr. Allende took office in November, 1970.

## 'Thesis' About Economy

Mr. Broe said that when he saw Mr. Gencen, about a month before the Chilean Congress date, "There was a thesis that additional deterioration in the economic situation could influence a number of Christian-Democratic Congressmen who were planning to vote for Allende" not to do so.

The following exchange then took place in the hearing here: Senator Church: Did you discuss with Mr. Gerrity the feasibility of banks not renewing credits or delaying in doing so?

Mr. Broe: Yes, sir.

Senator Church: Did you discuss with Mr. Gerrity the possibility of companies dragging their feet in spending money

[in Chile] and in making deliveries and in shipping spare parts?

Mr. Broe: Yes, I did.

Senator Church: Did you discuss with Mr. Gerrity the feasibility of creating pressure on savings and loan institutions in Chile so that they would have to shut their doors, thereby creating stronger pressure?

Mr. Broe: Yes.

Senator Church: Did you discuss with Mr. Gerrity the feasibility of withdrawing all technical help and not promising any technical assistance in the future?

Mr. Broe: Yes, sir.

## Suggestions Were Rejected

According to internal I.T.T. memorandums that were read into the subcommittee's record last week, Mr. Gencen rejected Mr. Broe's suggestions because he felt they would not work.

Mr. Broe also testified, in contradiction to the contents of other I.T.T. documents, that the purpose of attempting to create instability was not to encourage a take-over by the Chilean military.

Nor, he said, had the C.I.A. made any approaches to the Chilean military, contrary to what appeared to have been reported in a memorandum from William R. Merriam, the head of I.T.T.'s Washington office.

The questions and answers on this point were as follows:

Senator Church: Did you advise Mr. Merriam that approaches continue to be made to select members of the armed forces in an attempt to have them lead some sort of uprising?

Mr. Broe: No. On a number of occasions Mr. Merriam questioned me regarding possible action by the military, as this was a subject everyone was interested in. I advised him that our coverage of the military gave no indication they would take action.

## Other Matters Contradicted

Other matters, either contained in I.T.T. documents or testified to earlier by I.T.T. officials, were also contradicted by Mr. Broe and other witnesses today.

Chief among these was the assertion that Central Intelligence Agency officials had di-

rectly approached officials of United States banks, suggesting that they cut off credit to Chilean businesses and citizens.

Mr. Broe said that "the only company that I had anything to do with in regard to Chile was I.T.T."

Officials of the First National City Bank, the Chase Manhattan Bank and Manufacturers Hanover Trust, all in New York City, all denied discussing any cutoff of credit with either C.I.A. or I.T.T. personnel.

All said, however, that they had been approached by Chilean politicians for financial help in the presidential campaign.

Mr. Broe's testimony left unanswered the question of whether anyone in a higher position than Mr. Helms, the Director of Central Intelligence at the time, had known of Mr. Broe's proposals to Mr. Gerrity that the International Telephone and Telegraph Corporation and other American companies in Chile attempt to create economic instability there.

He was not asked the question and subcommittee sources said that the reason was that the subcommittee had agreed in advance to limit its questions to the subject of Mr. Broe's contacts with I.T.T. officials.

Since regulations covering the operations of the Central Intelligence Agency are not made public, it is not clear whether even Mr. Broe's approach to Mr. Gerrity should have been cleared by the so-called 40 Committee, an inter-agency body with members from the State and Defense Departments, the C.I.A. and the National Security Council. The committee is supposed to approve, in advance, certain C.I.A. operations.

In releasing the transcript, Senator Church said that he thought it improper for either private companies or the United States Government to intervene in a free election—which the election of Dr. Allende was, by all accounts. He commented that at the same time the ideas for intervention in Chile were being discussed, the United States was fighting a war in Vietnam, the stated purpose of which was to assure free elections there.



25 MAR 1973

## I.T.T. &amp; C.I.A.

## A Little Plot for Chile?

WASHINGTON—When Salvador Allende Gossens was elected President of Chile in 1970 on a Marxist program, the Nixon Administration appeared to accept the need for calm if hard-headed adjustment to a regrettable development. It was not long, however, before charges began to fly in Santiago of behind-the-scenes American pressure to undermine the Allende regime. A question arose: Was the power of the United States Government and United States corporations being wielded covertly in a modern version of the old policies of "dollar diplomacy" and the "big stick"?

Light on that question is now being thrown in hearings before a special subcommittee of the Senate Foreign Relations Committee that opened last week. Already, as a result of testimony thus far, certain things seem clear: The United States Ambassador to Chile wanted intervention; so did at least one high-ranking official of the Central Intelligence Agency; and both consulted on that option with the International Telephone and Telegraph Corporation (I.T.T.).

The subcommittee, headed by Senator Frank Church, Democrat of Idaho, would like to find out if United States policy toward Chile was influenced improperly in 1970 and 1971 by pressure on the part of I.T.T., which owned a majority interest in Chile's telephone company and had other business interests in the country.

I.T.T. is one of the 10 largest American corporations. It operates in scores of countries around the globe—a "multinational company," in today's lexicon. The Senate Foreign Relations Committee is concerned about the activities of all the "multinationals," and its hearings on I.T.T. represent only the first phase of a study of these companies and their possible influence on governmental policy, a study that will stretch over several years.

The testimony thus far shows that one I.T.T. director, John A. McCone, a former head of the C.I.A. and still a consultant to that agency, was able to get an appointment with his successor, Richard Helms, to discuss I.T.T.'s fears that the Allende Government would expropriate its Chilean properties without adequate compensation. Other government officials were also open to Mr. McCone, I.T.T. board chairman Harold S. Geneen and lesser company officials.

To Senator Charles H. Percy, Republican of Illinois, a member of the subcommittee and a former corporation executive, this seemed only right. The Government, he suggested at the hearings, ought to listen to the problems and proposals of big American-owned companies. Mr. Percy carried that line of reasoning even further: Perhaps it is also right that the Government and companies like I.T.T. swap intelligence. Reports on political developments from I.T.T. personnel in Chile were apparently valuable to the C.I.A.; the agency regularly sent a messenger to the company's Washington offices to pick up the reports as soon as they arrived.

Others who took a more critical view of last week's disclosures, however, emphasized that the relationship between I.T.T. and the Government seems to have gone beyond consultation and exchange of information. Testimony disclosed, for instance, that in 1970 the company offered, both to the C.I.A. and to Mr. Kissinger, a kitty of \$1-million—possibly more, if necessary—to help finance any plan the Government devised that would be aimed at preventing Mr. Allende's election.

There are discrepancies in the testimony as to how the money was to be used. Mr. McCone, while admitting that the objective was to help finance "any Government program for the purpose of bringing about a coalition in opposition to Allende," insisted that nothing "covert" was intended. Other evidence, however, hinted at darker plans, including a proposal for stirring up enough violence in Chile to justify a takeover by the Chilean military.

Mr. McCone and the other I.T.T. officials who testified last week had one broad defense: Nothing actually happened; the Government never devised any plan for using Mr. Geneen's proffered \$1-million and all the other schemes hatched by lower-level I.T.T.

or C.I.A. officials were rejected at the top. But documents placed in the hearing record seemed to indicate that certain overt actions were, in fact, taken without recorded top-level approval.

For example, according to one document, William R. Merriam, head of I.T.T.'s Washington office, wrote a memo to Mr. McCone three weeks before Mr. Allende's final election saying that William Broe, head of the C.I.A.'s clandestine activities in Latin America, had told him that "approaches continue to be made to select members of the [Chilean] armed forces in an attempt to have them lead some sort of uprising—no success to date." The same Mr. Broe, who was I.T.T.'s regular contact with the C.I.A., was quoted as reporting later on the C.I.A.'s attempts to get United States banks to suspend lending operations in Chile, thus creating economic problems that could bring down the Allende Government.

—EILEEN SHANAHAN

HS/HC 647



25 MAR 1973

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# 'Privilege' Poses Problem For Senate Panel on Chile

By JEREMIAH O'LEARY  
Star-News Staff Writer

The Senate subcommittee on multinational corporations will decide tomorrow how to obtain testimony on its Chilean investigation from Secretary of State William P. Rogers, a Central Intelligence Agency official and other witnesses who might invoke "executive privilege."

The subcommittee staff wants to hear from Rogers, an aide said, because it has ITT documents telling about a meeting held in Rogers' office in October 1971, at which the secretary reportedly suggested to representatives of American companies that they might organize a boycott of spare parts shipments to Chile.

Rogers also informed the representatives of ITT and other big U.S. firms, according to the documents, that the Nixon administration is a "business administration" and would try to help American business with its problem.

That problem, in 1971, was a wave of seizures of U.S. properties by the administration of Marxist President Salvador Allende.

## Rogers Won't Attend

Rogers is not expected to respond to the invitation of the subcommittee, headed by Chairman Frank Church, D-Idaho. The State Department has indicated that a Latin American specialist would be sent to testify in Rogers' place.

The subcommittee said it would be premature to say now whether it will seek subpoenas to challenge the government on the executive privilege issue.

The subcommittee also wants to hear testimony from Ambassador to Costa Rica Viron P. Vaky, former National Security Council aide Arnold Nachmanoff and William V. Broe, former chief of the CIA's Latin American division. So far, the subcommittee has contented itself with "inviting" these individuals to testify.

Vaky was Latin adviser to Dr. Henry A. Kissinger during the Chilean election period on which the investigation focuses,

and Nachmanoff, no longer in government, was his successor. Neither has responded yet to the subcommittee invitation.

Broe's testimony is in a different category because of a federal law cloaking the CIA with secrecy. Broe and his former boss, Ambassador Richard Helms, already have talked to the subcommittee in executive session.

It is understood that the CIA would like to get Broe's version of the agency's role in the Chilean affair on the record in some form, but does not wish to set a precedent for the public appearance of one of its officials.

Informed sources say Broe's testimony would confirm that there were discussions between him and officials of ITT about the situation in Chile, but would deny that the CIA was running any operation to stop Allende's election or to induce economic chaos in the Marxist dominated regime.

Some officials were reported considering a plan by which the subcommittee could read into the record a question and answer transcript of testimony from Broe without the CIA official actually appearing at public hearings.

These questions, it was said, would cover the discrepancy in testimony heard so far from ITT officials about whether it was ITT or the CIA which was making proposals to bar Allende's election or to prevent his nationalization of ITT property in Chile.

There also has been a discrepancy in testimony from former CIA chief John McCone and ITT senior vice president Edward Gerrity about

the purposes ITT had in mind for a fund of \$1 million it offered to the CIA for use in Chile.

McCone testified he set up a meeting, as an ITT director, between Broe and ITT president Harold S. Geneen to discuss means of stopping Allende from taking power. But Gerrity said the purpose of the fund was to spend it on housing and agricultural projects as a means of softening Allende's attitude toward the U.S. corporation.

Geneen is scheduled to testify this week, along with former Ambassador to Chile Edward Korry and officials of other companies functioning in Chile.

21 MAR 1973

# 'Anti-Chile plotting by ITT revealed at Senate hearing

Daily World Combined Services

Harold Geneen, president of International Telephone & Telegraph Corp., met in July, 1970, in a Washington hotel with the U.S. government's chief agent for Latin American subversion and espionage, at a time when ITT was said to be trying to block the election of Salvador Allende as President of Chile, a Senate subcommittee was told yesterday.

This testimony was given by William Merriam, ITT vice-president, shortly after a House subcommittee made public documents implicating Vice-President Spiro T. Agnew and five other top Nixon administration officials in pressuring the Justice Department to settle its anti-trust suits against ITT.

Merriam also said in his testimony that Geneen might have discussed ITT's attempts to derail Allende in a series of August, 1970, meetings with high Nixon administration officials, including former Attorney-General John Mitchell.

## Meeting described

According to Merriam, on July 26, 1970, Geneen met in the Sheraton Carlton Hotel in Washington with William V. Broe, chief of Clandestine Services, Western Hemisphere, Directorate of Plans, of the U.S. Central Intelligence Agency.

Merriam said he did not know who arranged the meeting, but when he escorted Geneen to the hotel, Geneen introduced him to Broe and told him Broe was

"the head of the Latin American division" of the CIA. Merriam said he left Geneen and Broe and waited in the hotel lobby; Geneen returned 25 minutes later and ordered him to "keep in touch" with Broe.

Before yesterday's session, Sen. Frank Church (D-Idaho), chairman of the Senate subcommittee, said it would "seek to ascertain whether ITT and the CIA cooperated in an effort to prevent Allende from being elected President of Chile in 1970."

Subcommittee sources said yesterday that they had "sheafs" of documents on ITT-CIA collaboration to foment civil strife and insurrection against Allende, who was elected in September, 1970.

## More revelations due

More revelations are expected next week when John J. McCone is scheduled to testify. McCone, former director of the CIA, is now a director of ITT.

Subcommittee sources also said that in addition to the ITT-CIA conspiracy against Chile, the

subcommittee will take up the Justice Department's sudden 1971 decision to drop anti-trust suits against ITT, 10 days after ITT's Sheraton Hotels division offered \$400,000 to help finance the Republican Party national convention. The probe will also try to find out whether this may have influenced the Nixon administration and the CIA in any action against Chile.

A House subcommittee Monday released data prepared by the Securities and Exchange Commission (SEC) which implicates, in the ITT-Justice Department "settlement" of the anti-trust actions, not only Agnew and Mitchell but also former Commerce Secretary Maurice Stans, former Treasury Secretary John Connally, Nixon aide John Ehrlichman, special Nixon aide Peter Peterson, a former Commerce Secretary, and Charles Colson, former special legal counsel to Nixon.

Allende and the Popular Unity government in Chile have repeatedly charged ITT and the CIA with organized subversion.

# ITT offered \$1 million to U.S. to stop Allende

Daily World Combined Services

The Senate Foreign Relations subcommittee continued yesterday to hear testimony on efforts by the International Telephone & Telegraph Corp. and the Central Intelligence Agency to block the election of President Salvador Allende in Chile in 1970.

Jack D. Neal, the director of international relations for ITT, told the Subcommittee on Multinational Corporations on Tuesday that an offer "in sums up to seven figures" was made to the office of Henry A. Kissinger. Neal, a State Department official for 35 years before joining ITT eight years ago, was vague about what ITT hoped to get in return.

"We were interested in fair compensation for our property," Neal said when questioned by Sen. Frank Church (D-Idaho) subcommittee chairman.

## Memo about Chile

Neal's testimony centered around a memo he had written Sept. 14, 1970, to W.R. Merriam, ITT vice-president.

In the memo, Neal had said he "telephoned Kissinger's office and talked with 'Pete' Vaky, who is the State Department's Latin American adviser to Kissinger."

After saying he informed Vaky "we have heard rumors of moves by the Chilean military," Neal said, "Mr. Vaky said there has been lots of thinking about the Chile situation and that it is a real tough one for the U.S."

## A sum of 'seven figures'

"I told Mr. Vaky to tell Mr. Kissinger Harold Geneen (ITT president) is willing to come to Washington to discuss ITT's interest and that we are prepared to assist financially in sums up to seven figures," the memo continued.

"I said Mr. Geneen's concern is not one of 'after the barn door has been locked', but that all along we have feared the Allende

victory and have been trying unsuccessfully to get other American companies aroused over the fate of their investments, and join us in pre-election efforts."

Neal's memo added he had contacted then Attorney General John N. Mitchell about the matter during a reception at the Korean Embassy.

In another memo, dated Sept. 30, 1970, Neal stated:

"Why should the U.S. be so pious and sanctimonious in Sept. and October of 1970, when over the past few years it has been pouring the taxpayers' money into Chile, admittedly to defeat Marxism? Why can't the fight be continued now that the battle is in the home-stretch, and the enemy is more clearly identifiable?"

The Neal memos confirmed other documents turned over to the Senate subcommittee by the Securities and Exchange Com-

mission, which show that ITT, the CIA and the Nixon administration's top officials were working together against Allende.

## Covered by insurance

Of interest is the fact that all of ITT's holdings in Chile were covered by Federal government insurance, which may mean the U.S. taxpayer will have to shell out up to \$100 million to compensate ITT for its nationalized property in Chile if ITT can establish that it did nothing to "provoke" nationalization.

John J. McCone, who directed the CIA from 1961 to 1965, testifying yesterday, admitted he talked in 1970 about Chile with Richard Helms, the CIA director at that time, but he asserted that Helms told him the U.S. would do nothing to prevent Allende's election.

McCone now is a director of ITT but he said he was still a "consultant" with the CIA so that he is still under the same government regulations forbidding disclosure as to any other CIA agent.

DAILY WORLD

16 MAR 1973

#### WHY HONOR CIA SPY?

It is now openly admitted that John T. Downey was a CIA spy when he was shot down over China in 1952, although at that time the CIA and the Administration emphatically denied it. In fact, the issue made a big stir at the time, with the Administration slandering anyone who refused to accept its lies.

Downey has now been freed and has returned to the U.S. A spokesman for the CIA said Downey "has been well taken care of" — meaning financially. The New York Times estimates he is "fairly wealthy."

A man who goes to jail for stealing a loaf of bread in the United States because he is hungry comes out of jail not only as poor as before but branded.

CIA spying is a criminal act. Why should it be rewarded?

— M.L., Newark, N.J. —

HS/HC-950

# CIA's Cord Meyer Going to London

Manchester Guardian

The Central Intelligence Agency's new station chief in London is Cord Meyer, hitherto the agency's assistant deputy director of plans in Washington.

The planning department of the CIA is responsible for espionage and clandestine operations. Detractors of the CIA call it the "Department of Dirty Tricks."

Meyer was in line for promotion to be deputy director of plans—"DDP," the nearest CIA equivalent of James Bond's "M."

Instead, according to CIA watchers here, he is being promoted to the U.S. embassy in London. They regard this as a "kick upstairs."

In 1967, it was revealed that Meyer was in charge of covertly funding Encounter magazine and other organizations. Last summer, he became the object of further notoriety when he asked the New York publisher Harper and Row to show the CIA proofs of a book since published, called "The Politics of Heroin in Southeast Asia." The book linked the CIA with the drug traffic in that area.

Meyer later denied that it had been his intention to suppress the book.

Few details are known about the nature or extent of CIA operations in England. Sources here say that there is a large base for covert action in premises within a few minutes walk from the U.S. embassy in Grosvenor Square. This is the headquarters for covert action in western and eastern Europe and the Mediterranean. It was moved from Paris to London at the time of Gen. Charles De Gaulle's quarrel with NATO and the United States.

The CIA works closely with British intelligence and claims not to engage in clandestine activities in Britain.

Meyer's career is a fascinat-

ing story. He was one of the most brilliant men of his year at Yale University in the early 1940's. He lost an eye in a Marine landing in the Pacific war and wrote a short story about the experience called "Waves of Darkness." After the war, he became a passionate advocate of world government and wrote a book on this subject. He was a hero to the student generation of the late 1940's.

He joined the CIA in 1953 at the urging of Alan Dulles. At that time, the Agency was a respectable haven for liberal intellectuals. During the McCarthy era he was investigated for alleged Communist associations but was cleared. In fact, he had never been a Communist sympathizer. He soon became as ardent for the Cold War as he had been for the United World Federalist movement.

Meyer's assignment to London is seen by CIA watchers as a part of the purge which the agency is experiencing under its new director, James Schlesinger. Reports in Washington this week say that the CIA's 18,000 personnel is to be cut by 10 percent by June 30. Schlesinger, a businessman with no intelligence background, is said to be making a through-going reappraisal of the CIA's functions and op-